EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,870 Friday June 16 1989 D 8523A

SAATCHIS
How the one-stop bubble burst
Page 18

World News

Gorbachev presses troops cut hopes

President Mikhail Gorbachev rounded off his four-day visit to West Germany by further projecting his peacemaking image and holding out the long-term goal of removing all foreign troops as well as nuclear weapons from Europe. And he admonished Nato for still sticking to "elements of the old philosophy of the Cold War" in its proposals for conventional disarmament.

Strasbourg elections

Five of the 12 European Community countries voted for the European Parliament and early reports from poll officials predicted that Britain would again register the lowest voter turnout. Page 8

Party implicated

Local Communist party and government officials in the republic of Uzbekistan were implicated in the bloody race riots there, which left more than 90 dead and 900 injured, according to Mr Nikolai Ryzhkov, the Soviet Prime Minister. Page 2

Cools release row

The release of Jan Cools, the Belgian doctor held hostage in Lebanon, threatened to spark a row in the government with the foreign minister suggesting that the trade minister might have bought the hostage's freedom by unblocking a commercial credit to Libya. Page 4

Reforms approved

Chile's four-man military junta, acting as the regime's legislator, approved the constitutional reforms agreed two weeks ago by the government and the opposition. Page 3

Soweto anniversary

Millions of black South Africans are expected to stay away from work today to commemorate the thirteenth anniversary of the Soweto rising. Page 4

Chemicals call

The US should show the same "impetus and panache" in tackling chemical weapons as it had recently shown on the conventional arms front, Mr William Waldegrave, British Foreign Minister of State, said in Geneva. Page 2

100% wage rises

Attempts to contain Argentina's hyper-inflation crisis took a further blow with pay increases for shop workers, civil servants and university lecturers in excess of 100 per cent. Page 3

Nuclear plants ban

The Yugoslav parliament passed a law banning all future construction of nuclear power plants or facilities for processing nuclear wastes.

Denktash offers city

Turkish-Cypriot leader Rauf Denktash said ethnic Turks expelled from Bulgaria could settle in the abandoned Greek-Cypriot city of Varosha.

Soldier shot dead

A 21-year-old British soldier who had been in Northern Ireland just two weeks was shot dead in Belfast when Irish nationalist guerrillas opened fire from a speeding car on an army patrol.

Falling star caught

A meteorite containing the components of life, carbon and water, has fallen on New Zealand and scientists are examining samples of rock.

Business Summary

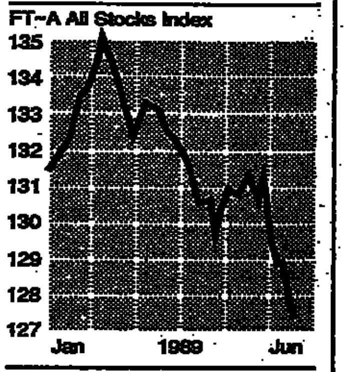
Siemens and Matsushita to co-operate in electronics

SIEMENS, West German electronics and electrical engineering group, and Matsushita Electric, Japanese consumer electronics conglomerate, are to pool some of their resources in passive components such as resistors and valves, confirming the trend towards systematic co-operation and greater rationalisation in the electronics industry. Page 21

UK GILTS: The heavily oversold UK gilt-edged securities market bounced back over a point buoyed by significant purchases out of the US. The

UK Gilts

FT-A All Stocks Index



All Stocks index closed at 127.54. But currency worries mean the market is still basically nervous. International Capital Markets, Section II

BSN, French foods group which embarked on the $2.5bn acquisition of five biscuit companies from RJR Nabisco, has hit the takeover trail again with the purchase of Heminger Hellas, Greece's second largest brewer. Page 21

SKANDINAVISKA Enskilda Banken, Sweden's leading commercial bank, is to move an important part of its present currency and financial activities to London. Page 26

MITSUI Real Estate Development lifted consolidated net earnings 26 per cent to Y35bn ($224.2m) in the year on sales which rose 15 per cent to Y864.9bn. Page 25

NAJI Robert Nahas, Brazilian stock market speculator who sparked a severe crisis on the country's equity markets this week, filed for protection from his creditors. Page 3

BRAZIL has reactivated its elaborate daily indexation of the economy as inflation is again reaching 1 per cent a day. Page 3

RATE of growth in West European new car sales slowed in May under the impact of falling sales in West Germany and France. Page 2

CHINESE government approval was signalled for a Y800m ($212m) joint venture between Lufthansa and Air China. Page 4

BRITAIN'S current account deficit in the first three months of 1989 was nearly £500m ($763m) worse than previously thought, according to Government statistics. Page 8

JAPAN will present new proposals to the Bush Administration next week designed to defuse its row with Washington over the exclusion of Motorola cellular telephones from the cities of Tokyo and Nagoya. Page 6

FRAMATOME, French nuclear plant builder which has diversified into electrical connections equipment with the acquisition of Burndy in the US and Souriau in France, is forecasting a sharp drop in earnings this year. Page 22

FRANCE has reached a framework agreement with the Soviet Union opening the way for a wide range of counter-trade contracts exchanging French agricultural and food processing machinery and technology for Soviet products ranging from oil to timber. Page 6

EC set to approve revised rules on insider dealing

By Tim Dickson in Brussels

COMMON rules aimed at outlawing insider dealing within the European Community are set to be adopted by EC Finance Ministers in Luxembourg next week.

The proposals – significantly modified following fierce criticism from the City of London – were approved by a majority of Community ambassadors at a meeting in Brussels late on Wednesday and according to EC officials are now certain to be formally agreed by member states on Monday. Only West Germany, and possibly Belgium, are expected to vote against.

Britain is now understood to be satisfied that the directive as redrafted will not hinder normal trading in transferable securities; that takeovers, large share purchases and legitimate bond market operations will not be affected; and that the scope of the new EC legislation will not inadvertently catch bona fide professionals like stock market analysts and financial journalists.

Recent changes, however, do not fully satisfy the British Bankers Association, one of the UK's most active lobbyists, which maintains that the revised draft legislation remains too vague in some areas: "It is not going to stop our members going about our business and that is a relief", a BBA official said last night. "It is nevertheless disappointing that something which was meant to co-ordinate member states' legislation is unlikely to be fully effective. It is a classic example of an unnecessary rush at the end of a presidency."

Certainly Spain, whose half yearly term in the Community chair expires at the end of this month, has forced the pace in negotiations over recent weeks and hopes to crown a significant record on internal market legislation with agreement next week on directives covering cross-border banking and common EC solvency ratios, as well as the new insider dealing rules.

First put forward by the European Commission in 1987, the insider dealing proposals are intended to close off new opportunities for the unscrupulous arising from the forthcoming liberalisation of capital movements and the fact that most EC countries do not have their own anti-insider laws. "We want to reassure people that the free flow of capital is not a spiv's charter", one EC official explained yesterday.

The new rules, which have to be translated into member states' own legislation, will broadly define insider dealing as taking advantage of unpublished information "of a precise nature" which has not been made public and where there is evidence that the individual knew what he was doing.

It will also establish distinctions between so-called "primary" insiders – for example, those employed by the company in question or its advisers – and "secondary" insiders, those who have acquired the inside information outside their employment.

It is understood that initial opposition from the UK and Luxembourg was dropped partly as a result of the clarifying interpretative clauses inserted in the text, while the precise relationship between primary and secondary insiders has now been established to the satisfaction of most member states.

West Germany, which like France and the UK already has its own national legislation, still feels that this link has not yet been clearly defined and is unhappy about provisions which could oblige the Bonn authorities to enforce even tighter national rules.

British industry supports full membership of EMS

By Philip Rawstorne in London

NINETY-THREE per cent of Britain's top industrialists are in favour of the UK joining the exchange rate mechanism of the European Monetary System. Nearly half think it should have joined already.

These results – providing strong support for the Chancellor, Mr Nigel Lawson, in his arguments with the Prime Minister, Mrs Margaret Thatcher, over the issue – emerged last night from a Euroharometer/Gallup poll of chairmen and chief executives of major British companies and City of London institutions.

The poll, published as voting closed in the European elections, showed that 88 per cent of the industrialists believe the British economy is now tied to the rest of the European Community. They see no realistic alternative but for Britain to participate fully in the EC.

Three out of five top companies responding to the survey support the establishment of a European Central Bank. Some 45 per cent favour a common currency to replace national currencies; nearly one in two favour the use of the European Currency Unit (Ecu) when doing business with other EC countries – 30 per cent already use it.

There is overwhelming support for the single market in 1992, with 86 per cent believing that it will be "a good thing."

In spite of Mrs Thatcher's concern about loss of sovereignty, only 15 per cent of industrialists see this as a drawback of 1992. They see "increased bureaucracy" as a much more significant threat.

More than half believe the City of London will maintain its pre-eminent international role after 1992. However, 12 per cent are not convinced, and 26 per cent say "it depends."

About three-quarters of respondents expect 1992 to generate increased protectionism. But 57 per cent believe protectionism cannot be justified even to avoid negative economic and social consequences, although 42 per cent think it somewhat justified.

Gallup, which interviewed 250 chief executives and chairmen, including those of companies such as British Petroleum, British Gas, ICI, Rolls-Royce, Continued on Page 20

Bank survey, Page 9

Peking to execute three who took part in protests

By Steven Butler in Peking

CHINA'S first executions since the imposition of martial law appeared imminent yesterday after death sentences were imposed on three men convicted of burning a train in Shanghai.

The train had ploughed into pro-democracy protesters sitting on the tracks, killing six, according to government reports.

The sentences raise the possibility of hundreds of executions of protesters who attacked martial law troops and burned military vehicles.

Meanwhile, the Government stepped up efforts to convince the world that life had returned to normal and that policies of economic reform and opening to the outside would not change despite the political convulsions of recent weeks.

Zheng Tuobin, Minister of Foreign Economic Relations and Trade, said that while turmoil had damaged China's economy and reputation, the situation had returned to normal, and policies were improving conditions for trade and business.

However, Zheng's message also appeared to threaten the foreign community when he said that China would "make necessary struggles if foreign partners use the crackdown on riots as an excuse to cancel, suspend or postpone their obligations."

The government proclamation of a return to normal contrasted with the tension on the streets, where troops appeared to be preparing for a long occupation of the city. Thousands of troops assembled on Tiananmen Square to hear congratulatory speeches from aging party veterans. Isolated gunfire is still heard at night.

The Government said the disturbances had cost the city more than 1bn yuan ($264m) in direct economic losses. This included the destruction of 60 buses and 14,910 potted flowers. Traffic volume was still not back to normal yesterday, and many shops were closing early.

People's Daily, the official Communist Party newspaper, issued a stern warning to Hong Kong residents not to involve themselves in illegal political activities in China, such as providing funding to dissident student organisations. A Hong Kong resident studying in Shanghai was detained while attempting to leave the country.

Dollar falls back despite cut in deficit

By Janet Bush in New York and Anthony Harris in Washington

THE DOLLAR suffered a sharp setback yesterday, despite an improvement in the US merchandise trade deficit, which fell to $8.26bn in April from a revised figure of $9.5bn in March.

Dollar selling was triggered by a combination of profit taking, reports of repeated intervention in currency markets by the US Federal Reserve and disappointment with the upward revision to the March deficit, which was originally reported at $8.86bn.

After the figures were released, the US currency briefly hit its highest levels against the Japanese yen for more than two years and against the D-Mark since November 1986.

US Treasury bonds yesterday followed the dollar both higher and lower. At midsession, the benchmark long bond was quoted a full point lower, taking its yield to 8.25 per cent compared with nearly 8 per cent earlier this week.

On the stock market, the Dow Jones Industrial Average plunged 32.09 points to stand at 2,471.27 at midsession.

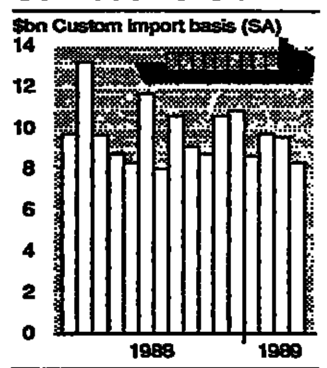
The new trade figures confirm that the US trade balance is again on a firmly improving trend, as exports continued to grow while imports fell, despite higher oil prices.

The deficit shows an improvement of $0.6bn over the $8.86bn gap originally reported for March, but this has now been revised upwards to $9.5bn, with exports revised down to $30.32bn, seasonally adjusted, and imports revised marginally down to $39.87bn.

If the growth rates of the last

US Trade Deficit

$bn Custom import basis (SA)



twelve months were maintained, the deficit would narrow to about $100bn from $120bn in 1988; but if imports remain stalled, as current slack demand from US consumers suggest, the improvement could be much greater.

However, Mr Robert Mosbacher, US Commerce Secretary, warned the strength of the dollar this year may impede improvement in the declining trend. He said that the April deficit was encouraging but warned against putting too much weight on one or two months' figures.

The change in exports from March to April reflected small increases in capital and consumer goods and a $400m rise in industrial materials, reflecting easier supply conditions in the US. Imports of cars were sharply down by $900m, as local manufacture of foreign models continued to grow, and sales were weak.

Currencies, Page 40, Stock Market report, Page 44

Tokyo shares fall sharply

By Michiyo Nakamoto and Ian Rodger in Tokyo

SHARE and bond prices plunged in Tokyo yesterday as investors continued to be rattled by the surge of the dollar against the yen, the rise in Japanese interest rates and an uncertain domestic political outlook.

The Nikkei average of 225 leading shares on the Tokyo stock exchange, the most widely followed market index, suffered its biggest drop this year, plummeting 489.90 points to close at 32,913.09.

Analysts said the sharp fall in share prices was triggered mainly by the yen slipping below the level of Y150 against the dollar for the first time in nearly two years. The Tokyo market is highly sensitive to currency and interest rate changes because of the impact they have on the huge flows of institutional funds.

Japanese life insurance companies and other large investing institutions have been stepping up overseas investment because of growing confidence in the US economic outlook and consequently the prospects for the dollar.

The yen's decline has fanned Continued on Page 20

UK energy group to shed bulk of international coal business

By Maurice Samuelson in London

BP, the British energy group, is to sell the bulk of its coal business, including mines and coal reserves in the US, Australia, South Africa and Europe.

BP Coal, thought to be worth more than $600m, is the latest in a series asset sales by BP to allow it to concentrate on its oil business.

Mr Patrick Gillam, BP managing director, said in London yesterday that the sale would strengthen BP's balance sheet "and place the group in a better position to take advantage of future investment opportunities."

The sale will not include BP Coal's operations in Indonesia or Canada.

The sale could influence other major oil companies which invested in coal in the 1970s as a hedge against difficulties in the oil industry and which may now be thinking of selling these businesses.

Coal as the main fuel for electrical power stations is becoming less popular in industrialised countries because of concerns about pollution and the increased competition from natural gas.

The announcement of the sale follows a suggestion last month by Mr David Simon, BP finance director, that further sales could realise $1.5bn to $2bn on top of the $4.3bn expected to come from the sale of BP Minerals to RTZ, the Australian mining group.

BP Coal is one of the world's leading coal concerns, with current reserves of some 1.9bn tonnes of workable reserves.

Last year, it produced 29m tonnes of coal and earned $959m with profits of $36m.

In January, BP announced its sale of BP Minerals to RTZ for $4.3bn. Sir Peter Walters, BP chairman, said at the time that it was a "happy coincidence" that this corresponded to the sum needed to buy back BP shares acquired by the Kuwait Investment Office during the the energy group's privatisation in October 1987.

BP has so far this year sold a further $1bn worth of assets which include: the Alaskan oil operation at Prudhoe Bay, worth $543m; 15 per cent of the Magnus oilfield in the North Sea, worth $270; as well as chemical interests in Britain and the US.

BP has 1.9bn tonnes of coal reserves, of which approximately 740m are in the US, 440m in South Africa, and 570m in Australia.

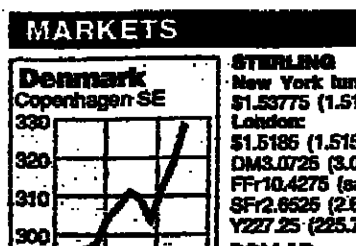
Of the 29m tonnes of coal produced last year, some 16.2m tonnes, or 56 per cent, came from mines in the US, where assets include the Old Ben Coal Company's mines in Illinois, Indiana and West Virginia. All are 100 per cent-owned by BP.

BP owns three mines in New South Wales, Australia, which produce coal for steelworks as well as power stations. It has a 49 per cent interest in a fourth mine.

In South Africa, it owns 88.5 per cent of a surface mine at Middelburg.

MARKETS

Denmark
Copenhagen SE



INTEREST RATES
US lunchtime
Federal Funds $9\frac{3}{8}$% ($9\frac{1}{2}$)
3-mth Treasury Bills: yield: 8.331% (8.40)
Long Bond: $107\frac{1}{32}$ ($107\frac{13}{32}$)
yield: 8.228% (8.16)
London
3-month Interbank close $14\frac{1}{2}$% ($14\frac{13}{32}$)

STERLING
New York lunchtime
$1.53775 (1.5115)
London:
$1.5185 (1.5150)
DM3.0725 (3.0750)
FFr10.4275 (same)
SFr2.6525 (2.6550)
Y227.25 (225.75)

DOLLAR
New York lunchtime
DM1.99675 (2.0340)
FFr6.7870 (6.8920)
SFr1.7195 (1.7545)
Y147.325 (149.455)
London:
DM2.0240 (2.0300)
FFr6.8675 (6.8825)
SFr1.7475 (1.7520)
Y149.80 (149.05)

GOLD
New York latest
Comex August
$385.5 (387.5)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,475.56 (-27.80)
S&P Comp
320.45 (-3.38)
London:
FT-SE 100
2,129.6 (-4.0)
World:
138.20 (Wed)
Tokyo
Nikkei Ave
32,913.09 (-489.90)
Frankfurt
Commerzbank
1,776.1 (-7.1)

OIL
Brent 15-day (Argus)
$16.53 (-0.042) (July)
West Tex Crude
$21.05 (+1.025)
(July)

CONTENTS

US proposals on Israeli poll plans put PLO on the spot

Six months after PLO leader Yassir Arafat made his biggest political breakthrough by meeting US conditions for talks, the organisation is in a quandary over cautious American attempts to foster negotiations between Palestinians and Israel Page 4

W German train project hangs on experts' report

By David Goodhart in Bonn

THE FATE of West Germany's futuristic, magnetically-powered, high-speed train project, Transrapid, will be decided by the contents of a 300-page experts report on the DM30bn (£9.7bn) project which was yesterday handed to the Research Ministry.

The private consortium, headed by Thyssen, which is developing the project wants to build a 1,000km line from Hamburg to Munich and cut the journey time from the 10 hours to three and a half.

It hopes then to be able to beat Japanese and Soviet competition to sell the 500kph system worldwide and especially in the US where there is already considerable interest.

However, first, the consortium expects the Government to put up a further DM4.35bn to help build the first leg over the next four years. According to the experts, from industry, banks, the Federal Railways and Lufthansa, that leg could be either Hamburg to Hanover or Essen to Bonn.

Since the project was born in the early 1970s the Government has invested DM1.3bn (compared to private industry's DM200m) mainly on a 31.5km test track.

It will decide in September whether to support the next stage of development.

Thyssen, which is partnered by MBB, working on the track and guidance system, and Krauss-Maffei, working on the vehicle, argues that after initial government support the bulk of the money can be raised privately perhaps along the lines of the Channel tunnel fund-raising.

The consortium says Transrapid will help reduce congestion in the skies and, as it has no engine, is both economic to run and environment-friendly.

One order from the US, the 30km from Florida airport to Disneyworld, is already close to signing, and another from Los Angeles to Las Vegas is possible. Interest has also been shown by Canada, China and Saudi Arabia.

Critics fear another technology white elephant and point to the enormous sums that the Research Ministry has wasted in supporting nuclear projects that have subsequently been abandoned.

They also argue that with the federal railway system planning its own conventional high-speed train, ICE, Transrapid is not necessary.

Thyssen insists that a showcase in West Germany is needed for foreign sales but critics question that and also claim that Transrapid is especially sensitive to ice on the track and is therefore more suited to hot climates.

West Germany's railway system has not been properly restructured since the division of the country and has lagged

WEST EUROPEAN NEW CAR REGISTRATIONS
January-May 1989

	Volume (Units)	Volume Change(%)	Share (%) Jan-May 89	Share (%) Jan-May 88
TOTAL MARKET	6,106,000	+6.5	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	963,000	+9.0	15.8	15.4
Volkswagen (incl. Audi and Seat)	885,000	+7.5	14.5	14.4
Peugeot (including Citroen)	798,000	+9.4	13.1	12.7
Ford	691,000	+5.3	11.3	11.5
General Motors (Opel, Vauxhall)	664,000	+10.2	10.9	10.5
Renault	623,000	+5.8	10.2	10.3
Mercedes-Benz	195,000	−4.8	3.2	3.6
Austin Rover	182,000	−5.6	3.0	3.4
BMW	177,000	+19.8	2.9	2.6
Nissan	177,000	+10.1	2.9	2.8
Toyota	149,000	−1.5	2.4	2.6
Volvo	122,000	+1.0	2.0	2.1
Total Japanese	647,000	+3.0	10.6	11.0
MARKETS:				
West Germany	1,255,000	+3.9	20.6	21.1
Italy	1,159,000	+12.1	19.0	18.0
United Kingdom	1,022,000	+9.1	16.7	16.3
France	962,000	+5.7	15.7	15.9
Spain	488,000	+10.5	8.0	7.7

Source: Industry estimates

Growth of European car sales slows in May

By Kevin Done, Motor Industry Correspondent

THE RATE of growth in West European new car sales slowed in May under the impact of falling sales in West Germany and France. According to preliminary industry estimates, registrations last month totalled 1.186m, only 0.4 per cent higher than a year ago.

Sales for the first five months, at 6.106m, were still running at a record level with a jump of 6.5 per cent from the corresponding period last year.

The continuing strength of new car demand has taken the industry by surprise following record sales for four successive years, but European car-makers are still forecasting weakened demand in the second half of the year.

Sales in West Germany, the biggest single market in West Europe, dropped by an estimated 5.1 per cent in May to 254,000; in France they fell by 7.3 per cent to 170,000. Overall, sales last month fell in six of the 17 West European markets, including Sweden, Denmark, Norway and Portugal.

Demand was supported by further big increases of 7.5 per cent in Britain, despite sharply higher interest rates, and Italy.

In the first five months sales have risen in all the five main volume markets led by 12.1 per cent in Italy, 10.5 per cent in Spain and 9.1 per cent in the UK. The estimated figure for France was 5.7 per cent and for West Germany 3.7 per cent.

New car demand has fallen only in the three Scandinavian countries of Sweden, Denmark and Norway, and there has been a marginal decline in Belgium and Luxembourg.

The pattern of sales in the first five months has fluctuated sharply, with big rises in January, February and April but only marginal increases in March and May.

Fiat and Volkswagen both captured around 15.3 per cent of European car sales in May, continuing the intense fight for market leadership in Europe which ended last year in virtual tie. The Fiat group, which includes Lancia, Alfa Romeo and Ferrari, has again taken a clear lead in the first five months, however, claiming an estimated 15.8 per cent of the market compared with 14.5 per cent for the VW group, which includes Audi and SEAT, and 13.1 per cent for Peugeot, which includes Citroen.

Fifth-placed General Motors (Opel/Vauxhall) has emerged as the fastest growing volume carmaker in Europe, however, with a 10.2 per cent jump in its volume sales. The success of its Opel Vectra/Vauxhall Cavalier launched last autumn has helped increase its market share to 10.9 per cent from 10.5 per cent a year ago.

Steelworkers cast a vote for Gorbachev

By David Goodhart in Dortmund

EXCEPT for the enthusiasm of the workers and the quality of the steel, Mr Gorbachev could almost have been on home ground when he yesterday addressed 7,000 West German steelworkers in Hoesch's gigantic Westfalen steelworks in Dortmund.

The final major engagement of his German tour was certainly the warmest and most proletarian and so – the Soviet leader judged – the occasion for a lecture on how he was saving, not burying, "real" socialism.

Most of his audience were Social Democrat voters but saving socialism elicited only polite applause.

However, when he reminded the workers of the Ruhr that their fathers had shown solidarity with the young Soviet Republic in the 1920s, the sons responded with some "Gorbi, Gorbi" chants.

There was also loud applause for anyone who said that Hoesch steel should not be used to build bombs.

Mr Gorbachev said the Soviet Union was well aware it did not live in a vacuum but in a world full of troubles and unrest.

"We do not claim a monopoly on truth. Our policies are an invitation to all governments and peoples to search for ways to a better world," he said.

This part of his speech, a departure from his prepared text, was punctuated by thunderous applause.

But the high-point of the hour-long meeting came when Mr Detlev Rohwedder, chief executive of Hoesch, presented Mr Gorbachev with a replica of an electronic voting machine which a Hoesch subsidiary is installing in the Supreme Soviet.

In a joke which may have been deliberately double-edged the replica machine was programmed only to allow victory for Mr Gorbachev.

The great and the good of the West German labour movement were there. Mr Willy Brandt, former SPD Chancellor, got the biggest cheer as he always does on these occasions. Mr Otto Lambsdorff, the Free Democrat leader, who had also been invited, got the loudest boos.

Mr Werner Nass, head of the Hoesch works council, and the man who invited Mr Gorbachev two years ago to draw attention to job losses in the steel industry, proposed that the Soviet leader should receive the Nobel Peace Prize next year.

But although the comradeship was well-meant, and does have some historic roots, it also gave off a hollow ring.

Only a few days before in a newspaper interview Mr Rohwedder, who is himself a Social Democrat, said that the Soviet Union would only solve its economic problems when it adopts private ownership, competition and proper incentive and pricing systems.

In other words, Capitalism.

Poles face delicate electoral choice

By Christopher Bobinski in Warsaw

POLES face important choices this Sunday in the second round of parliamentary elections following Solidarity's landslide victory in the first round on June 4.

This time voters will be choosing candidates who failed to win outright majorities in the first round. This time they need only to win the most votes to be elected.

In the first round Solidarity won outright all but one of the 161 seats allocated to it in the Sejm, the lower chamber, but in the 299 seats reserved for the Communist party and its allies were there only five outright winners.

Thus the remaining contests are almost entirely between rival establishment candidates. The outcome will determine to what extent Solidarity deputies face reformists or hardliners in the Sejm.

Should Sunday's vote produce too many of either hardliners or reformers – each determined for separate reasons to oppose the election of General Wojciech Jaruzelski, the party leader, as president – then he could fail to achieve the post and further deepen Poland's political impasse.

Under a pre-election agreement with Solidarity, the Communist Party is assured of 173 seats in the Sejm, its allies, the Peasant Party (ZSL) 76 seats and the Democratic Party (SD) 27 seats. In addition three official Catholic groupings received 23 seats.

In the first round three of the five who won outright did so only because they had Solidarity's backing.

Among the candidates standing on Sunday are some "official" ones who are heart and soul with Solidarity and whose party membership is no more than a formal record of a long lapsed loyalty. Solidarity civic committees have been identifying these in the past few days and have been recommending them to voters who care to ask. Already it is estimated within the Peasant Party that at least half a dozen of those elected will vote with Solidarity straight away. And another six of the Democratic Party candidates will go the same way.

But also representatives of the various hues of opinion in the official party are standing and many Communist candidates while not open Solidarity supporters will be liberal enough to ignore party orders when reforming policies have to be defended.

Others like Mr Janusz Kubasiewicz the Warsaw Party First Secretary, or Mr Marian Orzechowski, a conservative member of the Politburo, represent the hardline wing of the party and they too could be elected, unless Solidarity supporters turn out to vote against them.

President François Mitterrand met Mr Lech Walesa, the Solidarity leader, in Gdansk yesterday. During his three-day trip France has offered Poland FFr 150m (£14.3m) of short term trade credit and FFr 500m credit for food processing, hotel development and other industrial projects once Poland has negotiated a standby agreement with the International Monetary Fund.

The French also agreed to reschedule FFr 7.5bn of debt.

Ryzhkov says local Communist officials took part in Uzbekistan race riots

By Quentin Peel in Moscow

LOCAL Communist party and government officials in the republic of Uzbekistan were implicated in the bloody race riots there, which left more than 90 dead and 900 injured, according to Mr Nikolai Ryzhkov, the Soviet Prime Minister.

As the debate raged on whether the rioting was a symptom of Moslem fundamentalism, or a combination of ethnic rivalry and economic depression, Mr Ryzhkov revealed his own horror at the atrocities committed in violence between the majority Uzbek and minority Meskhetian Turkish community in the Fergana valley, in the Alay mountains south of Tashkent.

"Murderers and rapists will account for their crimes under the law," he said in a specially-televised report from the scene. "But the Communists who tarnished the prestige of the party, and the good name of the Uzbek people, have special responsibility."

Turkish refugees from the region reaching Moscow have claimed that the mobs of rioting Uzbek youths who attacked Meskhetian homes in Fergana and neighbouring towns were apparently well-organised, and liberally supplied with vodka.

Turkish leaders denied any fundamentalist involvement, but both Mr Mikhail Gorbachev, and dissident sources, have claimed the contrary.

Mr Almaz Estekov, leader of an informal group called Islam and Democracy, told the underground newspaper Glasnost that "orthodox Moslems" were at the head of the riots.

"The majority of Moslems of Central Asia believe that Allah turned to central Asia after the Soviet army was defeated in Afghanistan," he said. He predicted that the conflict would continue, because orthodox Moslems had great influence with the rioters, and now believed in "the liberation of central Asia from Soviet power at any price."

Mr Ryzhkov, who has now spent four days in the riot zone, revealed the deep concern of the Soviet authorities at the race riots.

He said that the desire of the Meskhetian community to return to their homeland in Georgia, from which they were deported by Stalin in 1944, had been considered for many years, but the situation remained "very complicated."

The truth is the Georgian authorities oppose their return.

Mr Ryzhkov underlined the threat felt not only by the Turks, but by other minorities including Russians themselves, and Crimean Tartars, at the upsurge in violent Uzbek nationalism.

The Interior Ministry, which has up to 12,000 troops in the area, said the situation was tense but under control.

Frightened eyes of a Meskhetian child in a refugee camp look out on a hostile world

Waldegrave urges US action on chemical arms

By William Dullforce in Geneva

THE US should show the same "impetus and panache" in tackling chemical weapons as it had recently shown on the conventional arms front, Mr William Waldegrave, British Foreign Minister of State, said in Geneva yesterday.

Mr Waldegrave also urged the Soviet Union to publish more data on its chemical weapons, where "evasion and distrust are currently a major obstacle to progress". Moscow has still not disclosed enough detail about its stockpiles to satisfy Western negotiators in chemical arms talks which resumed in Geneva this week.

Mr Waldegrave said the US attitude would be crucial in deciding whether the very real chance to move towards an international agreement banning chemical weapons could be realised during the current session. In an earlier session the talks failed to meet the expectations raised by the conference in Paris in January, at which 149 nations called for elimination of chemical arms.

Negotiators have blamed lack of leadership by the US, which in turn they attribute to delay by President Bush's administration in completing its review of defence policy and in nominating officials. Agreement on how to verify a ban on chemical weapons remains the negotiators' top priority. No consensus can be reached until the US settles its position.

Palme murder trial in balance

By Robert Taylor in Stockholm

THE WIDOW of Sweden's murdered Prime Minister, Mr Olof Palme, has been asked to appear in Stockholm's High Court on Monday to give evidence in the trial of Mr Christer Pettersson (42) who is charged with the assassination.

What she has to say looks likely to decide whether the trial can continue for very much longer, but it is by no means certain she will agree to come to the court.

The whole trial has degenerated into a farce and a national scandal and threatens to inflict lasting harm on the integrity of the legal system. It seems increasingly likely that the trial will have to be abandoned unless Mrs Palme can clearly identify Mr Pettersson as the man who killed her husband.

Her own conduct in the trial has already aroused considerable controversy among lawyers and the mass media. Earlier this week Mrs Palme said she would only come to the trial if the judges accepted certain conditions.

She insisted that her testimony be given behind closed doors with no journalists present and no recordings, broadcasts or drawings made. She also insisted that Mr Pettersson was not present.

Extraordinarily most of the judges have agreed to all but one demand. Mrs Palme will have to participate in an open court. But the international media in particular are outraged that they will not be able to report her evidence in full because of the limited number of seats in the courtroom. Most of them sit in an adjacent room and hear and watch the proceedings on a videoscreen and this facility will not be shut off during Mrs Palme's appearance.

Yet Lisbeth Palme is the only person who stands in the way of Mr Pettersson's release. The prosecution case had relied from the beginning on purely circumstantial evidence, on the testimony of several of Mr Pettersson's acquaintances, many of them drug addicts, alcoholics and criminals.

Over the past few days they have appeared in the court and repudiated the sworn testimonies they gave the police. Some have suddenly lost their memories and can no longer display any certainty about the events of the night of the murder.

Swiss franc forecast to stop falling

By William Dullforce in Geneva

THE SWISS franc, which has been unusually weak during recent months, will probably settle within a long-run trading range of SFr0.85-0.90 to the D-Mark, the Union Bank of Switzerland (UBS) says.

After fluctuating for a five-year span within a narrow range of SFr0.80-0.85, the franc exceeded 0.85 in January and continued to depreciate, not only against the D-Mark but against all other main currencies. This has undermined its reputation as a hard currency and added to Swiss bankers' doubts about attracting foreign capital for management.

UBS criticises the Swiss National Bank (SNB) for not conducting a more restrictive monetary policy in the first half of 1988, thereby contributing to the change in the SFr-DM exchange rate since the beginning of this year.

However, it believes the SNB has restored the credibility of its price-stabilisation policy by pursuing a more restrictive line since last autumn and paved the way for a more robust performance by the franc.

Analysing the influence of fluctuations in dollar exchange rates on the SFr-DM rate, UBS refers to the "espresso coffee cup effect". A given volume of coffee poured into an espresso cup reaches a higher level than in a normal cup.

Similarly a given capital flow into the dollar depresses the franc more than the D-Mark, since the size of the Swiss market is significantly smaller than that of the West German market.

UBS considers another important factor has been the perception that EC liberalisation and deregulation on the main international financial markets will weaken Switzerland as a finance centre.

Bulgarian refugee convoys roll onwards

By Jim Bodgener in Istanbul

ALL week, small, sad convoys of deported Bulgarian Turks have been trailing through the Kapikule gate on the Bulgarian border and onto a single lane snaking across the rolling Thracian farmland. They are heading for Istanbul.

These are ordinary, decent people – peasants, professionals and townspeople. In any other country they would be solid citizens. Instead, they have been rudely torn from hearth and home by the Bulgarian authorities who are seeking to suppress their Turkish and Islamic heritage.

They say that whole villages and towns have been uprooted in north east and southern Bulgaria, where a Turkish community of 1.5m had existed. All this week, around 3,000 have been crossing the border daily, bringing the total to more than 20,000 yesterday after two weeks. And the flood is not about to stop.

"Policemen with dogs came in the night and told us to get out," said Miran Mehmetoglu, tearfully.

Others speak of being hustled on their way with police truncheons; almost all have horror stories of police and militia hosing, beating and machine-gunning demonstrators in the upsurge of protest since early May.

Of course, many had wanted to escape from the country and from persecution, but not for their departure to be suddenly announced by a hammering on doors, flimsy passports with three month "tourist" visas thrust into their hands, and a rough order to pack up and go with a few hours grace.

"I didn't even have time to draw my money out of the bank," said Arif Mehmetoglu.

The frenzied haste with which possessions have been scrabbled together into bundles is evident from the debris of so many lives strewn throughout the compound on the border post – iron bedsteads, heaters, pots and pans, even a toddler's pedal car.

The Turkish authorities are struggling to cope with the homeless, although tent to accommodate up to 25,000 were pitched yesterday in towns close to the Bulgarian border. Some refugees were being sheltered in schools and other government buildings; others had spent the nights out in the open at Kapikule.

Judy Dempsey adds from Sofia: Bulgarians officials insisted that force was not being used. "This is simply part of our new liberal passport policy" a senior official commented. Other officials insist that "these people are free to return to Bulgaria whenever they like. We will always welcome them back."

Whatever the explanation for the expulsion policy, the Bulgarian authorities are creating potentially serious problems for themselves.

One is an acute labour shortage. Many of those who have left are agricultural labourers and factory workers. The exodus has already led to discontentment in several enterprises. The Bulgarian media has called on factory managers to exercise their full powers

Many dentists, engineers and technicians are also leaving. Even Mr Chavdar Mladenov, the deputy head of the Balkan department at the Bulgarian Foreign Ministry, described the exodus as a tragedy.

Mr Orlin Zagarov, a Turkish-speaking member of the Bulgarian National Assembly echoed the official line that Bulgaria's Moslem citizens were not ethnic Turks. "There is no ethnic Turkish minority," he said, adding the oft-repeated claim that "under Ottoman rule, Bulgarians were forced to change their names and culture and adopt the Turkish norms."

Moreover, today, Mr Zagorov sees little reason to have ethnic rights for the Turkish speaking people. "We would have to see if there was a need for it," he says, adding that because 150,000 of "these people" emigrated to Turkey between 1967 and 1978, any reason to provide cultural facilities for Turks had disappeared.

In terms of foreign policy considerations, Bulgaria appears to have destroyed any chance of improving its image.

Italian business leaders trumpet the triumph of capitalism

By John Wyles

THE GROWING conviction in the democratic capitalist world that a triumphant victory has been won over Marxist state socialism was given ample expression at a conference of Italian business leaders last weekend.

Confronted with murderous turbulence in China, political upheavals in Eastern Europe and the economic failures which prompted Soviet perestroika, the conference at a sparkling Ligurian seaside resort purred with pleasure as Mr Sergio Pininfarina, president of the Italian industrialists' organisation, Confindustria, declared: "Capitalism has won in the world . . . because it is the most efficient system of production and the most able to satisfy the material needs of the world's population."

No one disagreed with Prof Michael Novak, the American philosopher, that capitalism had seen off its Marxist opposition because it allowed the fullest expression of man's creative and human instincts; but Italian businessmen seemed uneasy about whether, having won the war, they could win the peace.

Most of their doubts centred on Italy's capacity to rise to the challenges of global markets and economic integration in Europe, but some also worried about the broader outlook for the market economy.

Mr Antonio D'Amato, president of Confindustria's young businessmen's section, was the first to point out that as society's material wants were increasingly realised, a preoccupation with quality of life was emerging in Italy and elsewhere. Until now, the main conflict industrialists had had to deal with had been with their workforces, but quality of life issues, particularly the environment, were putting them at odds with society at large.

Prof Mario Monti, a top private economist, saw a real danger of taking popular acceptance of the market too much for granted; anti-business sentiment based on environmental and unemployment issues could become "anti-market" sentiment.

The sociologist Prof Mario Deaglio thought the need for external rules to guarantee "moral" behaviour remained an important weakness of capitalism. The freer play which countries had been steadily allowing the market was producing a breed of entrepreneur with a "use and throw away" attitude to people which, allied to the emergence of "a systematically disadvantaged underclass", could sap popular support for the system. "Democratic capitalism must not deny, reject and ignore the values of socialist democracy. It must seek to embody them more fully," said Prof Deaglio.

Governments could and did intervene with some egalitarian intent to curb social inequities, but Prof Monti doubted they would have the same freedom to do so with the arrival of the European Community's internal market.

Organised by Confindustria's young business wing, the central theme of the conference – "Where is Italian capitalism going?" – again highlighted the tensions constantly simmering between the Fiat camp, represented in Liguria by the group's managing director, Mr Cesare Romiti, and the president of Olivetti, Mr Carlo De Benedetti.

According to the latter, the fact that "capitalism is no longer in question" was "the most significant turning point of the 80s" in Italy. But Italy lacked "real capitalism" and a "real market" because industrial power was held in too few hands, financial markets were inadequate and politicians were actually obstructing their development.

But industrialists also had their responsibilities, and according to Mr De Benedetti they were now split in Italy into two camps: "stone-age" and the "intelligent" capitalists.

The former held that capitalism had triumphed because the Italian Communist Party was in decline and they had succeeded in strengthening their own economic and political power. The opposing group, to which Mr De Benedetti belonged, "understand that in reality this triumph does not exist."

The following day, Mr Romiti, ever one to run towards the sound of gunfire, waved a copy of the morning's Communist party newspaper l'Unità, with a pro-De Benedetti headline to imply he knew to which camp the Olivetti chief belonged. For his part, Mr Romiti wanted Italian politicians to abandon their "18th century logic" and confront the economy's real problems.

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AMERICAN NEWS

Brazilian speculator files for bankruptcy

Mr Naji Robert Nahas, the Brazilian stock market speculator who sparked a severe crisis on the country's equity markets this week, has filed for protection from his creditors, John Barham reports from São Paulo.

Mr Nahas's bankruptcy proceedings will only cover his companies. He is held liable for personal cheques he wrote to cover his position in the stock markets.

Selecta, his company, controls a broad array of subsidiaries with activities that include banking, insurance, mining and agriculture.

Market operators are still unclear to what extent Mr Nahas operated as an individual.

Last Friday, Mr Nahas failed to honour $31.1m in debts to his brokers, forcing the Government to suspend stock trading on Monday. The markets re-opened on Tuesday with a 10 per cent limit on share price oscillation.

The São Paulo exchange yesterday lifted the limit for the stock options market, and said it would also be listed on the equities market as of today.

Mexican arrest

Mr José Antonio Zorrilla Pérez, Mexican former federal security chief who was charged this week with the murder five years ago of Manuel Buendia, a leading journalist, was arrested late on Wednesday, Richard Johns reports from Mexico City.

He is also accused of drug trafficking and is reported here to have given protection to dealers such as Miguel Angel Felix Gallardo, who was apprehended in April, connected to the Medellin drug cartel based in Colombia.

It is believed that Buendia, a leading investigative journalist, knew of Zorrilla's links with drug traffickers and that was why the police boss – alleged "intellectual author" of the crime – arranged for his killing.

Peru wage rise

President Alan Garcia has raised Peru's minimum monthly wage by 22.2 per cent to 108,000 intis ($50.7) from 84,000 intis, Reuter reports from Lima.

He issued the decree as strikes spread throughout the public sector, affecting hospitals, courts and the electrical company.

The government had come under political pressure to decree a mid-month wage increase after inflation had hit 22.6 per cent in May, bringing it to 479 per cent so far this year.

IFC review

The International Finance Corporation, the private sector affiliate of the World Bank, has started a preliminary review of a possible capital increase, Sir William Ryrie, the IFC's head, said in London yesterday, Stephen Fidler, Euromarkets Correspondent, reports.

The IFC has been growing at about 25 per cent a year, a rate which cannot be continued for much longer than two more years without a capital increase. Its last authorised capital increase, to $1.3bn, was agreed in 1985.

Caribbean return

The British Council, Britain's principal agency for cultural relations, will resume its activities in the Caribbean after an absence of more than 15 years, writes Robert Mauthner, Diplomatic Correspondent.

The new representation – to be based in Kingston, Jamaica, but covering the entire Caribbean region – will be funded by part of the £6m increase in the Council's government grant announced last autumn.

The new British Council Representative will be Mrs Gillian Roche, who has been Director of the Council's Libraries Department since 1985.

Panama talks urged

A visiting delegation from the Organisation of American States has proposed that the Panamanian military, government and opposition officials hold talks designed to resolve the country's crisis, AP reports from Panama City.

The proposal was announced at a news conference late on Wednesday as the delegates prepared to leave the country after a visit designed to study ways to resolve Panama's troubles, which deepened during elections last month.

The delegates have until July 19 to deliver a report to the OAS, based in Washington.

Bush firm on S&L capital rules

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday stepped up his lobbying to prevent any weakening of tough new capital requirements in the savings and loan rescue plan, now in the final stages of debate by the House of Representatives.

The new Democratic leaders in the House yesterday sought to shift attention away from their recent internal troubles and resignations to their domestic policy agenda by promising swift action on the savings and loan legislation, and by challenging Mr Bush over minimum wages.

He yesterday wrote to Republican and Democratic leaders in the House, saying amendments proposed to capital standards agreed by the House Banking Committee "would render this bill unacceptable to me".

His implicit threat to veto it arises over Republican-sponsored amendments that would allow as much as $30bn of "supervisory goodwill" to be included in the calculation of tangible net worth. Any such amendment, he said, would permit some firms to maintain $600bn in loans without investing a dollar in tangible capital.

Mr Bush argued that the matter "goes to the very heart of my determination to clean up the abuses of the past among the savings and loans". His view is that using goodwill in this way would allow savings and loans institutions to operate without risking any of their owners' capital.

The president has also opposed proposals for the $50bn cost of the rescue plan to be financed within the budget, but subject to a waiver of the Gramm-Rudman-Hollings deficit reduction law.

The administration will be working in alliance with most of the Democratic leaders on this bill, but is set for a continuing conflict over raising the minimum wage. The Democrats failed late on Wednesday to find sufficient votes for the two-thirds majority needed to override the president's veto of its original proposal to raise the minimum from $3.35 an hour to $4.55. However, they immediately went on the counter-attack.

Meanwhile, though, congressional leaders have begun discussions on a possible compromise, given Mr Bush's refusal to raise the minimum above $4.25. This could turn on the timing of the phased increase and also on the terms of the proposed sub-minimum training wage. The administration has talked, as an alternative, of extending the earned income tax credit to help the working poor.

Mr Edward Kennedy, Democratic chairman of the Senate labour committee, has introduced a bill identical to the one vetoed. He said: "The president should understand that this is an issue on which Congress has only begun to fight. I would prefer to work out an acceptable compromise with the administration. But, if that is not possible, we will try to enact a measure that has the support of a veto-proof majority."

Ruder reluctant to leave SEC job until replaced

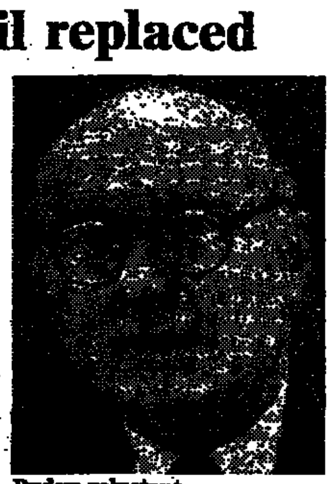
MR David Ruder, Chairman of the US Securities and Exchange Commission, said yesterday he was reluctant to leave the SEC until a replacement had been named and approved by Congress, Reuter reports from Washington.

Mr Ruder has said he intends to return to private life. But after testifying before a Senate securities subcommittee hearing, he told reporters: "It is not possible to have strong leadership with an acting chairman. I am reluctant to leave without a replacement."

Mr Ruder said he did not know for sure who his replacement might be.

He noted that when he was named to the chairman position he took a job that had been vacant for two months, a situation he would not like to see duplicated again.

Earlier, Mr Ruder told the Senate Banking Committee that his agency intended to repropose two rules relating to the registration and disclosure of securities issues early this summer.


Ruder: reluctant

Supreme Court decision marks civil rights setback

THE US Supreme Court yesterday reaffirmed its landmark 1976 civil rights ruling that outlawed racial discrimination in all private contracts, Reuter reports from Washington.

But, in a separate ruling, the court made it more difficult for women and minorities to contest successfully certain lawsuits alleging racial harassment in employment.

The justices, by a 9-0 vote, declined to overturn the 1976 ruling that upheld a law, passed soon after the Civil War, which prohibited racial discrimination in private contracts.

The 1976 ruling allowed black people to take legal action against private schools for denying them entrance on racial grounds. The law has also been applied to a wide range of private activities, including employment, housing and education.

But the justices, led by the court's conservative majority, then ruled by 5-4 that racial harassment suits against employers may only be brought for alleged conduct at the time the contract was made.

US civil rights groups had feared that the court – which has become more conservative in recent years, reflecting the views of the justices appointed to the bench by President Reagan – might even go so far as to overturn its 1976 ruling.

The Supreme Court has issued a number of decisions this term that have represented setbacks for civil rights groups, and for programmes designed to help women and ethnic minorities recover from the effects of past discrimination.

Chilean junta approves reforms

By Barbara Durr in Santiago

CHILE'S four-man military junta, acting as the regime's legislator, has approved the constitutional reforms agreed two weeks ago by the government and the opposition.

The reforms will smooth Chile's transition back to democracy after 16 years of military dictatorship. Air Force General Fernando Matthei, a junta member, said the reform package "permits us a controlled and soft landing, which is what we want".

The changes must now be approved by voters. The country's leader, Gen Augusto Pinochet, was yesterday to announce a plebiscite for some time between July 30 and August 7. A favourable vote is expected.

The reforms will relieve the next elected government and congress from the kind of long conflict over how to reshape government institutions that Brazil has suffered. The Chilean opposition is promising further amendments in next year's congress, but it does not now appear that the military's 1980 constitution will be thrown out.

For the military, an agreement on preserving – at least in large part – what is considered its most important legacy was critical. Gen Pinochet had been reluctant to amend the charter at all, and it is widely believed he was forced to swallow the changes by the more open-minded members of the junta and the chief soft-liner of the regime, Mr Carlos Caceres, the Minister of the Interior.

The opposition has so far said that while it is not entirely happy with the reforms it will "acquiesce".

Brazil revives daily economic indexation

By John Barham in São Paulo

BRAZIL HAS reactivated its elaborate daily indexation of the economy as inflation is again reaching 1 per cent a day.

Late on Wednesday, the Finance Ministry stated it would reintroduce crawling peg devaluations of the new cruzado. It is also to reintroduce a daily indexation factor, allowing the economy to adjust prices and contracts for inflation every 24 hours.

Businessmen had been clamouring since April for the return to full indexation.

The decision formally buries the moribund six-month-old Summer Plan. It was introduced to rein in inflation, which had hit 37 per cent in January, by freezing prices, abolishing indexation and instituting a new currency.

The government hopes that re-indexation will calm the country in the face of yet another bout of runaway inflation.

Mr Mailson da Nobrega, Finance Minister and architect of the plan, said: "The game of expectations over price increases is more dangerous than anything else."

The Summer Plan was the administration's third emergency policy to contain rising inflation. Commentators, businessmen and the financial markets now await a fourth plan in August, which would temporarily dampen inflation before the November 15 presidential election.

Daily exchange rate adjustments will spur exports, blocked by an overvalued currency, and improve government finances by insulating its tax revenues against inflation. The move is also planned to quell speculation and reduce the cost of financing public short-term domestic debt.

Argentine inflation stoked by high pay increases

By Gary Mead in Buenos Aires

ATTEMPTS to contain Argentina's hyper-inflation crisis took a further blow yesterday with pay increases for shop workers, civil servants and university lecturers in excess of 100 per cent.

University lecturers were awarded a 242 per cent increase. More than 1m shop workers and 120,000 federal civil servants will have their salaries immediately doubled.

The latest awards follow similar increases this month for many industrial workers. The increases are scarcely sufficient to keep pace with inflation, which hit 78.5 per cent for May. Some independent analysts calculate that it may reach as much as 140 per cent for June.

Mr Jorge Triaca, who is soon to take over as Labour Minister, said that as soon as President-elect Carlos Menem takes over – probably in the first week of July – a system of weekly wage payments would be introduced for the private and state sectors.

Mr Triaca's proposal for weekly wages is seen as a clear indication that Mr Menem's government expects the inflation crisis to persist for some time, even though Mr Triaca spoke of the measure as being temporary.

Midwest welfare goes to work

Lionel Barber visits Wisconsin

WISCONSIN politics have always had a liberal, progressive quality. The state developed one of the earliest income tax systems; one long-serving mayor of Milwaukee, the main city, liked to describe himself as a socialist; and the state's welfare benefits have ranked, since Franklin Roosevelt's day, among the most generous in the country.

Even so, there has always been a penny-pinching streak in the ethnic Germans among the population, which might explain why the state welfare system is under siege. An alliance of powerful Republicans and Democrats is arguing successfully that Wisconsin's relative generosity has turned the state into a "welfare magnet" attracting undesirable immigrants from the south, particularly Chicago.

The loose left-right axis shows that, more than 20 years after Lyndon Johnson declared the Great Society, Victorian values are back in fashion; work is now seen as a better cure for poverty than welfare.

Indeed, Democrats such as Mr Joseph Strohl, state Senate majority leader and a likely candidate for the US Senate in 1992, have discovered a more sceptical approach to welfare enables them to transcend the traditional liberal stereotype and widen their political base.

The cycle of crime, drugs, teenage pregnancy and infant mortality – once considered foreign to the state but now routine in Milwaukee – has prompted Mr Tommy Thompson, the Republican state governor, and Mr Strohl to put forward proposals for a "two-tier" welfare system. The idea is to turn the argument that everyone has entitlements on its head by restricting the benefits paid to new arrivals.

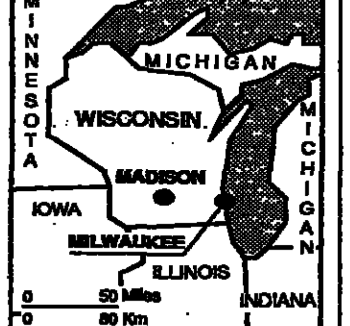
Critics have denounced the proposals as a version of the Poor Laws which, four centuries ago, aimed to restrict the mobility of the poor within England. "Part of being an American is that you don't get stopped at the state line," said the Rev Ted Steege of the Lutheran Office for Public Policy.

Governor Thompson's plans will be challenged in the US courts on constitutional grounds. (A 1969 US Supreme Court ruling struck down such residency requirements on the grounds that they were based on class distinctions and infringed on the right to travel). But the garrulous governor is relaxed; he and his supporters think they have discovered a popular issue which cuts spending.

The debate focuses on the primary welfare programme in the US, Aid to Families with Dependent Children (AFDC), which is funded by federal and state treasuries, but whose disbursements are fixed by individual states. These vary from $118 a month in Alabama for a family of three to a comparable $740 a month in Alaska.

In Wisconsin, the maximum grant for a three-person family was $517 in 1988, the seventh highest in the US. More significantly for the "welfare magnetists", the AFDC payments are well above those of neighbouring Illinois, where the cost of living is much higher, and which pays only $362 a month to a comparable family. The difference, says Mr Thompson, is encouraging welfare migration.

Not so, says Rev Steege, who argues that the upturn in Wisconsin's economy has had a far more powerful influence in encouraging outsiders to settle in the state. Unemployment, which was in double digits per cent in the early 1980s, has dropped to 4 per cent statewide – though statistics reveal that the rate among black teenagers and other groups of hard-core unemployed has remained high.



Also, it is far from clear whether welfare payments alone are the determining factor in people moving; there are other less tangible factors – such as family connections, job prospects, and the quality of life. Besides, the inflation-adjusted AFDC guarantee for a four-person family in a median state *declined* by more than 30 per cent between 1970 and 1987.

A two-tier system would continue the decline and, at best, save Wisconsin between $10m to $12m, according to Mr Strohl.

He, like Mr Thompson, believes this money can be used for programmes to help poor people, which combine welfare eligibility with mandatory job education and training aimed to turn the welfare recipient into a useful member of society. For example, in Wisconsin, the state is investing $23m, plus about $20m in federal funds, in such "workfare" programmes for AFDC recipients.

Massachusetts has pioneered such programmes, but with a stronger voluntary element. The lesson is the same: welfare payments should not be automatic because, the more attractive they become, the more they may encourage dependency. The welfare magnet debate in Wisconsin may well increase the power of this argument.

LDP yields to Japan's farmers over rice prices

By Ian Rodger in Tokyo

JAPAN'S ruling Liberal Democratic Party (LDP), bowing to intense pressure from the country's powerful farm lobby in an election year, has decided to block the regular annual cut in the government's support for rice prices.

The decision indicates the difficulty the LDP is having in reconciling demands from the international community that it liberalise its agricultural product markets with those of one of its main electoral support groups.

The Japanese farm community is still angry at the LDP for agreeing last year to liberalise markets for some food products, including beef, citrus fruits and various processed foods. In most cases, these moves were taken following judgments against Japanese trade barriers taken under the General Agreement on on Tariffs and Trade or under threats of Gatt censure.

However, Japanese farmers are not interested in Gatt or any other foreign body. They have already shown their anger in a number of by-elections in recent months in which the LDP fared badly. Now farm leaders are mobilising their communities to boycott the LDP in important elections to the upper house of the Diet (parliament) scheduled for July 23.

According to a survey taken by Mainichi, a national newspaper, 31 farmers' organisations from 17 prefectures have withdrawn from affiliation with the LDP and 18 of them have decided not to vote for the LDP at national level.

To the LDP, these developments are alarming. Battered by the Recruit bribery scandal and by recent revelations of a relationship between Mr Sosuke Uno, the new Prime Minister, and a prostitute, the party is worried that it will suffer serious reverses in the House of Councillors elections next month.

Half of the 252 seats in the upper house are being contested and the LDP needs to win 54 of them to retain its majority. It holds 73 of them. Most analysts hold little hope of the LDP keeping its majority, and their views were buttressed yesterday by an opinion poll suggesting that only 22 per cent of the country's eligible voters supported Mr Uno's cabinet, the lowest level ever for a new administration.

Rice price supports have long been a delicate issue. Over the past few years, the government has been putting a mild squeeze on rice producers because of declining consumption in Japan and growing surpluses.

Threat of row as Belgian hostage freed in Lebanon

By David Buchan in Brussels

THE release yesterday of a Belgian hostage in Lebanon threatened to spark a row in the Belgian government, with the foreign minister suggesting that the trade minister might have bought the hostage's freedom by unblocking a commercial credit to Libya.

Dr Jan Cools, a Belgian doctor, was yesterday freed in southern Lebanon after 13 months' captivity and taken to Damascus, where he was met by Mr Robert Urbain, the Socialist Belgian Trade Minister, who last week held talks with President Muammar Gadaffi in Libya and unfroze a BFr2bn (£30m) trade credit.

Yesterday the Belgian Foreign Ministry stressed its efforts to free Dr Cools. But Mr Leo Tindemans, the Christian Democrat Foreign Minister, said earlier that Mr Urbain had no mandate to discuss the question of hostages during his trip to Libya and complained of "socialist diplomacy".

Coming three days before polling for the European elections in Belgium, the affair has acquired strong party political overtones.

Mr Tindemans is himself a candidate in Sunday's elections, not only for a simple seat in the Strasbourg assembly but also to be its president.

Millions likely to stay home for Soweto day

By Anthony Robinson in Johannesburg

MILLIONS of black South Africans are expected to stay away from work today to commemorate the 13th anniversary of the Soweto rising of June 16 1976, which proved to be a turning point in South African political life.

The anniversary follows re-imposition of the national state of emergency regulations last week, and will be marked by religious meetings in many black townships.

The security forces are likely to maintain a substantial but discreet presence in Soweto, Sharpeville, Alexandra and other potential flash-point townships, but the anniversary is expected to be quieter than last year, when black trade unions called a three-day national "stayaway" in protest at the banning of opposition political groups.

Last year seven people died in clashes, mainly in Natal, where this year the police have announced a three-day, high-profile security operation in the townships around Pietermaritzburg and Durban.

Many employers have already recognised Soweto day as a paid holiday and others work on the no-work, no-pay, no-intimidation principle which leaves millions of workers free to stay away.

Army officers hang photographs of troops killed in the repression of the democracy movement on a makeshift memorial in Peking

Gorbachev regrets Peking upheavals

MR Mikhail Gorbachev, the Soviet leader, said yesterday he regretted recent developments in China and hoped reforms there could continue, Reuter reports from Bonn.

Asked at a press conference about Peking's violent crushing of democracy protests, he said the situation there had "unfortunately turned grave" after his visit in early May.

"We regret some aspects of what has happened. We are all concerned about what is happening in China."

Mr Gorbachev's comments were his first extensive statement on China since the Soviet parliament early this month condemned all outside attempts to put pressure on Peking and labelled the turmoil an internal Chinese issue.

"All of us want the profound changes and reforms in that giant country not to fail," he said on the final day of his four-day West German visit.

"We hope that China – its people and its government – find a way out that lives up to the interests of the Chinese people and our general expectations."

The Soviet leader, whose Peking visit coincided with the mass protests for democracy, did not directly answer a question whether the demonstrators were counter-revolutionaries, as China now says. But he noted he had received letters from Chinese students who supported reform.

"In the letters, they support the same goals as the Chinese Communist Party," he said. "I cannot suspect that they had any evil intentions."

Mr Gorbachev said outsiders had to be careful in what they said about current developments in China.

Israel steps up carrot and stick approach

By Hugh Carnegy in Jerusalem

ISRAEL yesterday stepped up its carrot and stick approach to Arabs in the occupied territories, forcibly closing the East Jerusalem offices of leading Palestinian Sari Nusseibeh, but saying the proposals could satisfy most of the demand for self determination.

Professor Nusseibeh, an Oxford-educated philosopher at Bier Zeit University in the West Bank, is regarded by western diplomats as the kind of moderate the Israelis should be negotiating with.

But recently he has been a target for the authorities. He has been named in court documents as a conduit for Palestine Liberation Organisation [illegible] weekly analysis of the uprising he produced from his East Jerusalem office was banned.

He told reporters he was not a member of the PLO and supported a peaceful settlement of the Arab-Israeli conflict.

At the same time, in an effort to win support for elections in Gaza and the West Bank, Prime Minister Yitzhak Shamir is planning for the first time to meet prominent local Palestinians.

In an attempt to nudge the dialogue along, the director general of Mr Shamir's office, Yossi Ben-Aharon, told the Jerusalem Post that Israel could go most of the way to granting self-determination for the Palestinians.

The demand for self determination, usually interpreted as meaning an independent Palestinian state, is a key element left out of the Israeli peace initiative. Mr Ben-Aharon's interpration of the phrase almost certainly does not match that of the PLO, but his use of the words may be significant.

● A military court in Israel yesterday sentenced four Israeli soldiers to prison terms for their roles in the beating of a Palestinian prisoner who later died in custody, AP reports. The soldiers were convicted on May 25 of brutality in the beating of 42-year-old Hani el-Shami last August while arresting him in the Jabaliya refugee camp.

US ideas put PLO on the spot

Andrew Gowers and Jihan el-Tahri look at a dilemma over elections

"Nobody is ready to enter a tunnel without knowing whether there is light at the end or it is blocked."

THE metaphor – from Mr Yassir Abed Rabbo, the articulate chief negotiator for the Palestine Liberation Organisation in its fledgling dialogue with the US – encapsulates the dilemmas now facing the PLO leadership.

Six months after Mr Yassir Arafat made his biggest political breakthrough by meeting US conditions for talks, the organisation is in a new quandary over cautious American attempts to foster negotiations between Palestinians and Israel.

At issue is the plan put forward by Mr Yitzhak Shamir, the Israeli Prime Minister, for elections in the occupied West Bank and Gaza Strip. With US support, Mr Shamir wants a poll to choose representatives of the Palestinians in the occupied territories for talks on their future.

In the teeth of Israel's refusal to contemplate direct dealings with what it continues to brand a terrorist organisation, the US wants to obtain a green light for the election idea from the PLO in Tunis.

The question has been brought to a head in the past week by a US proposal that the PLO approve the selection of a group of Palestinians from within the occupied territories for talks on detailed election procedures.

PLO leaders were last night closeted in meetings deciding on what terms they might be prepared to engage in such a process.

Up to now, a suspicious leadership, while looking for ways in which the Shamir plan might be developed, has publicly united in setting stiff conditions.

Both inside and outside the territories, the Palestinians have insisted that elections take place under international supervision after an Israeli withdrawal from the West Bank and Gaza.

Failing that, says the leadership, the US should state clearly before any peace process begins that the outcome of negotiations will fulfil Palestinian demands for self-determination.

Both possibilities seem remote, not least because of Washington's desire to steer a "middle course" between two mutually incompatible positions: Mr Shamir's desire to hang on to the territories and the PLO's demand for an independent Palestinian state there.

Shamir: wants poll

Arafat: leap in dark

The latest American proposals – put forward by Mr Robert Pelletreau, US ambassador to Tunis and the sole channel for American communication with the PLO, at a third formal meeting last Thursday – have put the PLO on the spot.

The idea is to form a delegation composed exclusively of Palestinians from the occupied territories – and not directly identified with the PLO – for talks with Israel on the election plan.

Washington is anxious to reassure the Palestinians that any election should be seen to be "free and fair" by outside observers; that it wants the broadest possible participation, including the Palestinians of East Jerusalem; that Israel will accept the election's outcome, even if as seems certain it demonstrates overwhelming support for the PLO; and that talks on interim confidence-building measures would be followed eventually by negotiations on the final status of the occupied territories.

The Labour segment of the Israeli coalition government has also apparently been endeavouring to lure the PLO towards considering the election plan; officials in Tunis report that at least four messages on the subject have been received from Mr Yitzhak Rabin, Defence Minister, in the past two months.

Mr Arafat, ever anxious to keep the ball in play and preferably in the Israeli court, will not want to be seen to reject outright a suggestion that might eventually lead to full-scale negotiations on a settlement.

He is acutely conscious of the continuing need to demonstrate tangible political gains to the people suffering from Israel's crackdown on the 18-month Palestinian intifada, or uprising.

There is a risk that after so many concessions with little return, disappointment in the leadership could undermine the morale of the Palestinians under occupation, and in the process deflate or fundamentally alter the character of the uprising.

But in pondering a response to the election plan, the leadership is obsessed with a host of more basic fears.

It worries that the Shamir plan is the latest (and most disturbingly plausible) in a long series of Israeli ploys to create an alternative Palestinian leadership in the occupied territories and bypass the PLO.

It knows that the potential for division between Palestinians inside and outside the territories is considerable, and that even engaging the former in talks about elections might reduce the latter's influence on the course of events.

"Elections are not bad for the Palestinians, but they might be bad for the PLO leadership," said one surprisingly candid PLO official.

As an insurance policy against attempts to split its ranks, the organisation may counter Washington's latest proposal by suggesting that any delegation selected to talk to Israel about elections also include Palestinians from outside the territories – possibly figures from the diaspora who might be "acceptable" to the US rather than PLO leaders.

More fundamentally, the leadership frets that the US, in addition to trying to defuse the intifada, is now bent on depriving the Arab-Israeli conflict of its wider Middle Eastern dimensions at the expense of the Palestinian diaspora.

"They want to transform the Palestinian-Israeli question into an internal or local Israeli problem," says Mr Abed Rabbo.

Hence the deep-seated reluctance on the part of the PLO to embark on the election process with no sure idea of where it will lead, and with a suspicion that Mr Shamir's ultimate goal is a form of limited Palestinian autonomy under Israeli rule. The leadership wants US guarantees that the aim is Israeli withdrawal.

Not for the first time, the PLO feels vulnerable: to Israeli attempts to marginalise it; to America's perceived lack of even-handedness; and to less than whole-hearted support from Arab states.

"We've never rejected elections," said Abu Iyad, the PLO's virtual number two, in an interview this week. "But the question remains: what are we supposed to be negotiating with Israel about?"

In a sense, Israel and the PLO are already involved in a low-key bargaining process through the Americans on this very subject.

Only in the next few months will it become clear whether the US is prepared to concede a clearer definition of Palestinian "political rights" than it has so far offered; and whether Mr Arafat can be persuaded to make what he fears could be a leap in the dark.

Kenya hopes for more international assistance

By Julian Ozanne in Nairobi

PROFESSOR George Saitoti, Kenya's Vice President and Minister of Finance, presented a cautious and modest budget yesterday for 1989/90 stressing the government's commitment to its structural adjustment policies and the twin goals of boosting the private sector and promoting exports.

In a budget that was essentially an appeal to international donors to continue providing substantial concessional financing, Prof Saitoti repeatedly emphasised opening up the economy to increased competition, fiscal management and releasing the energies inside the private sector.

The budget also contained new measures on promoting the development of capital markets, stimulating the foreign investment climate, liberalising import licencing and shifting revenue collections towards indirect taxation with the promise of a unified value added tax to be introduced by January 1990.

Predicting an economic growth rate of 5.1 per cent this year, the budget forecasts a 21 per cent increase in Gross recurrent expenditure to KSh49,440m ($2.8bn) compared with KSh40720 last year.

Development spending is slated to increase 14.4 per cent to KSh18442m from KSh15790 in 1988/89.

With these increases in expenditure the government will be hard pressed to meet its targets budget deficit of KSh7620m or 4.2 per cent of GDP, down from 4.5 per cent last year.

Prof Saitoti is clearly relying on on the continued assistance of foreign donors to meet the financing gap. An estimated KSh19422 is predicted to be provided by donors, 40 percent in grants, representing 28 per cent of total government expenditure of KSh69,300m. A further KSh6,560m will be raised from domestic borrowing, mostly from Treasury Bills and non-bank sources therby freeing up resources for the private sector.

This leaves an estimated KSh42158m to be found from domestic revenue sources an increase of KSh1,160m on what is predicted to be raised from existing revenue measures. The bulk of this additional revenue will come from increased excise and sale taxes on cigarettes, tabacco and beer announced in April this year.

The most important reform announced in the tax regime is the move towards a VAT rather than the exisiting sales tax. It will be levied on all goods and services at a uniform rate of 17 per cent marking the first time professional services will be taxed indirectly.

Several measures announced in the budget are designed to liberalise the trade regime. Prof Saitoti reiterated the government's intention yesterday to move away from quantitive restrictions on imports to a tariff system.

In the budget Prof Saitoti removed the export tax on coffee and tea, Kenya two principal exports but he has imposed a10 per cent export tax on raw materials needed for further processing in the country like raw cotton and waste paper.

Investors will be pleased by Prof Saitoti's announcement yesterday that he has prepared the legislative basis for the long awaited Capital markets Authority will will be given regulatory and supervisory powers to open up the nascent financial markets in Kenya, particularly in the securities markets.

Two of the most politically sensitive issues were also tackled in the budget. Professor Saitoti announced the government's intention to extend cost recovery measures in health and education and to cutback on public sector employment which will consume nearly 70 per cent of Ministries recurrent expenditure in 1989/90.

Arab women clothe fashion trends with the veil of modesty

Traditional dress, with an exotic twist, is winning over the elite and the middle classes, reports **Tony Walker** from Cairo

THEY dress like extras from a film of 1001 Nights, the Arabian fantasy tale of almost infinite variations on the theme of seduction. Their faces are framed in plain white or coloured headscarves.

Surmounting and adding elaboration to the headscarf is a string of costume jewellery that encircles the top of the head and hangs in a strand down the back. The effect of such a head-dress on a statuesque woman, clad in a shapely ankle length gown, is both seductive and bizarre.

This fashion, known colloquially as Islamic chic, has superimposed itself on a trend throughout the Arab world towards greater modesty in dress. Fashionable Islamic attire that tends to exaggerate and make more exotic traditional dress – a minority taste within a predominantly conservative movement – is a paradox of the times.

Amani Hassan, Egypt's top model and a fashion designer, believes the trend towards traditional Islamic dress – with embellishment – is growing stronger all the time, and that for the moment the era of Western fashion has passed.

"These girls you see in the street wearing exaggerated head dresses and make-up and jewellery are not dressing that way because they are Islamic," she declares. "It is simply because it is fashionable."

It is hard to tell sometimes where piety ends and a desire to be fashionable begins. Distinctions are blurred among modern Egyptian women who wish to appear both chaste and elegant. The immediate beneficiaries of the trend are the dozens of new dress shops that cater exclusively for Islamic fashion.

At the *el Redda* ("The dress" in classical Arabic) boutique in the Cairo suburb of Mohandiessin, women were choosing their outfits from a colourful selection of skirts, blouses and headscarves. It was a scene typical of a middle class neighbourhood almost anywhere in the world, except that staff and patrons wore headscarves and uniformly long skirts.

But there the similarities ended. There were striking differences in fabric colours and design, and in the amount of make-up and jewellery they wore.

Fatima, a fashionably dressed kindergarten teacher, wore pronounced eyeliner, and make-up which hardly corresponds with a more literal reading of instructions about modesty in the Koran. "It's wrong," she said, blushing under her make-up. "But I feel like using it. It's difficult to abide exactly by the rules."

Madam Bahira el Shawi, the shop's owner, joined the discussion about make-up and declared it was "wrong, wrong, wrong . . . because it is attractive." Likewise, she said that it was not desirable that Islamic women wear bright colours, although her racks of clothes included some gaudy designs and colours.

A woman wearing traditional Islamic dress and holds up a now more fashionable style

"We're trying to tone down the colours, especially the reds and pinks - the so-called hot colours," she said. "These are not really acceptable." The wearing of jewellery, apart from a modest wedding band, was also considered unsuitable. Madam el Shawi said of her own collection of large gold rings that she had a weakness for them.

She displayed an almost proselytising zeal in her approach to her business. Apart from making money in an enterprise that was benefiting from the religious and fashion trend, she gave the impression of someone who felt she was performing a useful social service – to help persuade her Islamic Egyptian sisters to "cover up," according to the instructions of the Prophet that "believing women" should "lower their gaze and be modest, and . . . display of their adornment only that which is apparent, and to draw their veils over their bosoms."

This injunction has been interpreted in many different ways. In some of the Gulf states, in Iran under the mullahs and among more fervently Islamic sects in Lebanon, dress conventions for women are very strict indeed. A full veil (one that covers the face) is the rule in some of these places.

Elsewhere in the Arab world, such as in Egypt, traditional dress is optional. In any case, very few Egyptian women cover their faces. The veil in Egypt and in other modern Islamic societies is used to shield the hair, not to hide the visage.

Egyptian women who wish to dress fashionably in Western style are encountering increasing restrictions. The wearing in public of short skirts, sleeveless dresses and low necklines is out. At private parties, fashionably dressed women risk disapproval if their outfits are considered too revealing.

"As a model and a fashion designer, I like to wear modern styles," says Amani Hassan, "but I have to wear fashion in the right place with the right people, otherwise I have very big problems."

Likewise, revealing swimming costumes are regarded as unsuitable. Increasingly, Egyptian women are shunning even one-piece bathing suits in favour of billowing costumes that reveal little.

The Islamic dress trend has hit hard manufacturers of Western style clothing for women, and has put some out of business. Other are struggling to adapt to the new fashion without compromising so much that they lose faith with their existing clients.

Nadia Idris, a manufacturer who has been in business for 20 years, said that a decade ago Egyptian women could wear almost anything, including short skirts and sleeveless dresses, and those with a "big *decolletage.*" Fashion in Europe and in Cairo was the same, she observed. But now women from all levels of society, including the elite, were asking for more modest and Islamic-style clothes.

Mrs Idris said there was "no end in sight" to the trend, and all the time she was losing clients as dress shops converted to the sale of Islamic fashion, including so-called chic models. These, she described, as "ridiculous," if the purpose of Islamic dress was to be modest.

Many parents have been perplexed by their daughters deciding to dress conservatively. Mona, a young university graduate who works at a foreign bank, began wearing traditional dress recently to the annoyance of her parents and brothers. She wears an ankle-length skirt without a belt and a veil to cover her hair.

"My Islamic costume does not hinder my activities," she says. "I still go jogging early in the morning with a long T-shirt over my track-suit . . . the way I dress has given me respectability."

Dr Mediha el Safty, a sociologist at the American University in Cairo, says that the veiling of women in Egyptian society was "definitely increasing." It has become, she believes, a sort of standard dress, like the *yazmak*, the head covering of the Ottoman period. This lasted until an era of Western-influenced emancipation from the 1920s until the 1960s. It was in the 1970s that the trend began to go into reverse.

The greater religiousness of Islamic society and a rejection of Western liberal values are among explanations for the conservative dress trend. Peer group pressure has played a role, and so too, Madam el Safty believes, have economic difficulties. It is less expensive for girls from families with limited means to dress in Islamic-style uniforms, to cover their hair, and to go without make-up.

But in a fairly recent development, it is the middle class, and even the elite, who are joining the trend. Some are doing so reluctantly, even stealthily perhaps, but they are conforming, nevertheless, either to conservative traditional dress or to more exotic Islamic fashion.

"One of my friend's sisters had a calf-length skirt," Madam el Safty recalled with amusement, "and every week it would get lower until it touched the floor."

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LEGAL NOTICE

GOR-RAY LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on 27 June 1989, at 11.00am. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee. A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No.1 London Bridge, London SE1 9QL on 23 June 1989 and 26 June 1989 between the hours of 10.00am and 4.00pm. Proxies for use at the meeting must be returned to No.1 London Bridge, London SE1 9QL by 12 noon on 26 June 1989 and claims must be made in writing and may be made to the same address.

By order of the board

B Gosling
Director

9 June 1989

Note
Any creditor who has not received notice of the meeting and who wishes to attend or be represented at it should ring Mr DM Ghosh, 01 378 7200 to obtain the necessary forms.

GOR-RAY INTERNATIONAL LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on 27 June 1989, at 1.00pm. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee. A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No.1 London Bridge, London SE1 9QL on 23 June 1989 and 26 June 1989 between the hours of 10.00am and 4.00pm. Proxies for use at the meeting must be returned to No.1 London Bridge, London SE1 9QL by 12.00 noon on 26 June 1989 and claims must be made in writing and may be made to the same address.

By order of the board

B Gosling
Director

9 June 1989

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GRANDEES LIMITED

NOTICE IS HEREBY GIVEN that a meeting of the creditors of the above company, in accordance with the provisions of Section 98 of the Insolvency Act 1986, will be held at Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY on 27 June 1989, at 1.15pm. The purposes of the meeting are to receive a statement of affairs and a report on the company from a director and if the creditors wish to do so, to nominate a liquidator and appoint a liquidation committee. A list of the names and addresses of the company's creditors will be available for inspection at the offices of Price Waterhouse at No.1 London Bridge, London SE1 9QL on 23 June 1989 and 26 June 1989 between the hours of 10.00am and 4.00pm. Proxies for use at the meeting must be returned to No.1 London Bridge, London SE1 9QL by 12.00 noon on 26 June 1989 and claims must be made in writing and may be made to the same address.

By order of the board

B Gosling
Director

9 June 1989

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NOTICE
pursuant to the
Insurance Companies Act, 1982, s.51

Application has been made Section 51 and 52 of the Insurance Companies Act 1982 to the Secretary of State for Trade and Industry by The Travelers Corporation (U.K.) Limited ("the Transferor") to transfer to La Metropole S.A. the rights and obligations under all the Transferor's contracts of insurance and reinsurance prior to 24th October, 1985, the effecting of which constituted the carrying on of general insurance business in the United Kingdom. La Metropole S.A. is a subsidiary of The Travelers Companies.

Copies of the statement setting out particulars of the transfer are available for inspection at Three Quays, Tower Hill, London, EC3R 6DS, the registered office of the Transferor in the United Kingdom between 9.30 a.m. and 5.00 Mondays to Fridays, for a period of 30 days from the date of publication in the Gazettes.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Insurance Division, 10-18 Victoria Street, London, SW1H 0NN, before 15 August 1989 and the Secretary of State for Trade and Industry shall not determine the application until after considering any representations made to him before the date.

PUBLIC NOTICE

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CURRENCY ADJUSTMENT

The Member Lines of the above Conference operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes Ports wish to advise Shippers and Consignees that for the period 1st July 1989 to 30th September 1989 the following Currency Adjustment Factor will apply.

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I.E. Service 1, 2 and 3 rates
4.20 per cent surcharge

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WORLD TRADE NEWS

Tokyo puts forward plans to tackle Motorola row

By Peter Montagnon in Tokyo

JAPAN will present new proposals to the Bush Administration next week designed to defuse its row with Washington over the exclusion of Motorola cellular telephones from the cities of Tokyo and Nagoya.

The plan has raised hopes that the US will lift its threat to impose sanctions against Japan next month on the grounds that the barriers facing Motorola infringe the two countries' existing bilateral agreement on telecommunications.

It would involve Japanese companies which have already been allocated frequencies for cellular telephones in the two cities handing over their surplus frequencies to Motorola temporarily so that it can proceed with marketing its own cellular phones.

Previously the Ministry of Posts and Telecommunications had sought to exclude Motorola from the market by claiming that no spare frequencies were available.

The plan will be formally presented to Mrs Carla Hills, US Trade Representative, next week by Mr Ichiro Ozawa, former Deputy Chief Cabinet Secretary who will be travelling as a special envoy of Mr Sousuke Uno, the Prime Minister.

It has already met with a positive response from US trade officials attending wide-ranging bilateral trade talks in Tokyo this week.

Mr Linn Williams, Deputy US Trade Representative, said yesterday: "Our discussions with the Ministry of Posts and Telecommunications have been very useful and we are optimistic about what we may be able to work out next week."

A resolution of the Motorola dispute which has been festering for several months would help improve the atmosphere for other trade talks which are now under way between the two countries.

Yet after two full days of discussion in Tokyo this week, the US has failed to make any visible headway with Japan over its request for discussions on structural impediments to trade such as its cumbersome distribution system, and, separately, on its complaint under last year's Trade Act over unfair trading practices in supercomputers, wood products and satellites.

Japan continued to insist it would not negotiate on the Trade Act complaints under threat of sanctions.

It said it was prepared to discuss the need for structural reform only if the US would put its own economic structures, including its budget deficit on the table.

"The US idea is from our perspective very one-sided," said one senior Japanese trade official last night.

Earlier, Mr Michihiko Kunihiro, Deputy Vice Foreign Minister who led the Japanese delegation, had described the US request for negotiations on its Trade Act complaints as "blackmail.""

Mr Williams rebutted this charge. He said: "We're not interested in retaliation. We're interested in market-opening."

Both sides described this week's talks as fact-finding ones rather than negotiations, but Mr Williams said they would count as formal consultations which the US is required to undertake

US officials to hold talks on dumping

By Nancy Dunne in Washington

THE two senior members of the US International Trade Commission are to meet EC and Gatt officials next week to discuss the need for harmonisation of anti-dumping and countervailing duty rules so that they can be properly adapted to the world trading environment. They will also be gathering information for a Congressional report on the EC internal market.

The ITC determines whether or not US industries have been injured by dumping or subsidies, thus paving the way for industry protection.

In many cases, parts of products are made abroad, so that an industry may seek protection for a product that has only 40-50 per cent of an American value-added component. With no guidelines, the Commission has had to draw up its own.

When US forklift producers recently asked for relief, the ITC finally concluded that a forklift was US-produced if it had an American-made frame, although the frame is only 20-30 per cent of the entire product, said Ms Anne Brunsdale, Commission chairman.

Mr Ronald Cass, the vice-chairman, cited a recent case on ballbearings, in which the Commission found injury to the producers. "It was a close call because the statute we use didn't allow us to look at the broad impact of protection on US industry. Overall, the impact on industry of low-priced bearings is beneficial."

The officials say the internationalisation of manufacturing processes may require changes in US trade laws.

"Ten years ago it was still possible to conclude that the interests of workers, capital and producers were coincident. So in a trade case you would have all three strongly represented and asking for relief," Ms Brunsdale said. "Now we have cases where labour and management disagree."

Ms Brunsdale said she has discussed the changes in the world economy relevant to trade law on Capitol Hill. "We really have to start thinking about this. We don't know where it's going to take us at the Commission," she said.

Meanwhile, an increasing number of countries – including South Korea, Mexico and Brazil – are using anti-dumping and countervailing duty laws to protect their own industries. Because it is "almost inevitable for subjective biases to creep in from time to time," it is important that the processes be uniform, transparent, analytically rigorous and explainable, Ms Brunsdale said.

Both commissioners expressed optimism about the 1992 negotiations. Mr Cass said he does not expect to have any influence on the process, and he doesn't believe the most important and contentious decisions – those of most interest to producers in the US – will be made until the end of the process.

Paris and Moscow agree terms for countertrade contracts

By George Graham in Paris

FRANCE HAS reached a framework agreement with the Soviet Union opening the way for a wide range of countertrade contracts exchanging French agricultural and food processing machinery and technology for Soviet products ranging from oil to timber.

Mr Henri Nallet, the French Agriculture Minister, concluded the agreement with Mr Lev Voronin, first vice premier in charge of agriculture and supplies, during a visit to Moscow earlier this week.

Specific contracts within the framework worth over FFr2bn ($294m) are expected to be ready in time for the visit to France next month of Mr Mikhail Gorbachev, the Soviet President.

Mr Nallet said that the agreement represented a major advance, because it extended the barter possibilities to a whole range of new products.

"Before, when we wanted to sell them a machine, they would offer us cranberry jelly in exchange. Today we have even talked about energy, notably gas and oil, but also animal proteins and timber," the French minister said.

The French delegation accompanying Mr Nallet included representatives of 10 industrial groups: Pernod-Ricard, which is discussing a fruit drinks factory, and Sucre et Denrées, which is talking on the renovation of a sugar processing plant, but also companies like Sanofi, the chemicals group, Soufflet, in the cereals sector, or Yoplait, the dairy products company.

These 10 companies are expected to form a consortium with the backing of Crédit Lyonnais, one of the leading French banks involved in the Soviet Union, to help develop projects and serve as a sort of countertrade clearing house.

Delors believes US fears over 1992 allayed

By Peter Riddell, US Editor in Washington

MR Jacques Delors, president of the European Commission, said yesterday that fears in the US about a "Fortress Europe" after the creation of the internal market in 1992 had largely disappeared.

He was speaking at the end of a three-day visit to Washington during which he has seen President George Bush and members of the Administration, and leading businessmen.

Mr Delors said there had been a shift in US attitudes a few weeks ago, as shown in public comments and the revision of proposed banking regulations to take into account the views of American banks.

The visit by Mr Delors, his first to Washington for four years, has underlined the general improvement in relations between the US and the EC, as earlier American fears about 1992 have been replaced by a more positive attitude.

He said, "the concept of the European Fortress was not the devil for the US – though this was not the case with Japan."

On the theme of "friendly partnership," Mr Delors' message was of reassurance about the vast opportunities offered by the integrated market – "firstly for the US."

He stressed the European commitment to further international trade liberalisation and linked the 1992 process with the Uruguay round talks. But he defended EC proposals on local content of cars and limits to imported television programmes.

Mediterranean Rim nations warned on future of textiles

By Alice Rawsthorn in London

THE textile industries of the Mediterranean Rim must overcome problems of poor productivity and low quality if they are to remain internationally competitive in the future, according to a study by the Economist Intelligence Unit, the London-based independent research organisation.

In recent years, the textile industries of Mediterranean countries such as Turkey, Morocco, Tunisia and Greece have expanded rapidly because of the competitive advantages of low labour costs and their proximity to the European Community.

The study suggests that these industries must increase efficiency and improve the quality of their output if they are to maintain momentum in the long term.

The industries, according to the study, must also reduce their reliance on inward investment from the large European textile groups, which use countries such as Morocco and Tunisia as a low cost source of clothing and textiles.

The Mediterranean Rim has emerged as an important source of textiles since the early 1970s to provide 5 per cent of worldwide textile and clothing exports to countries grouped in the Organisation for Economic Co-operation and Developement. Turkey is the biggest single supplier of textiles to the Eeuropean Community.

The sector is an important source of employment in the region, accounting for between 20 and 45 per cent of manufacturing output and employment in the Rim countries.

The structure of the textile industry varies from country to country. The Turkish and Greek industries are dominated by several large companies, while Morocco, Malta and Tunisia are heavily dependent on foreign investment. The development of the Algerian and Egyptian industries has been hindered by internal problems.

Despite the growth of the Mediterranean Rim as a textile production centre, the EIU is cautious about its future prospects. It is concerned that the region is overly dependent on Europe as a its main market and on investment from overseas groups.

The EIU also warns that the inefficiency and poor productivity of many Mediterranean Rim factories detracts from the advantage of low labour costs. It argues that the region must overcome these deficiencies to remain competitive in the face of advances in textile automation and the threat of increased protectionism from the EC and the US.

Mediterranean Textiles and Clothing is published by EIU, 40 Duke Street, London W1A 1DW. £150.

PIONEER STUDY ON GLOBAL TELECOMMUNICATIONS

Loquacious British outdo insular Japanese

By Hugo Dixon

THE US drugs police may find it difficult to stop cocaine smugglers from Colombia. But they might get an idea of how fast the trade is expanding by looking at the telephone traffic between the two countries.

In 1986, people in Colombia and the US spent 113m minutes on the phone talking to one another. This was 20 times as much as they spoke in 1976, and made Colombia the sixth-largest telephone correspondent with the US, just behind Italy and well ahead of countries like Brazil, Australia and Switzerland.

Similarly, if you want to check up on the process of glasnost and perestroika, one of the best indications is to look at how often Russians are calling abroad. The progress between 1976 and 1986 was disappointing. Telephone traffic from the Soviet Union to the US grew from only 570,000 minutes to 700,000 minutes.

This was about half the traffic that Poland and Yugoslavia experienced, and only a quarter of Malaysia's figure. It could be argued, however, that the Gorbachev revolution had barely started in 1986 and conclusions about its impact will have to wait until 1987 and 1988 figures are available.

These figures are contained in pioneering studies on the flow of telecommunications traffic around the globe, published recently by the London-based International Institute of Communications. As well as highlighting the particular cases of the Soviet Union and Columbia, they reveal the invisible links between the world's leading trading blocs.

One of the striking observations is how little the Japanese use the telephone for international calls. Although Japan accounted for 15 per cent of world GNP in 1986 and 10 per cent of world exports, Japanese made only 1.9 per cent of international phone calls. This is partly explained by time and language differences.

Over a quarter of the time spent on the phone by people in Japan was talking to the US. After that came South Korea with 13 per cent, Taiwan with 11 per cent and Hong Kong with 9 per cent. Its most important European correspondent was the UK which accounted for 6 per cent of Japan's international traffic.

The insularity of Japan is in direct contrast to the loquaciousness of the British. Although the UK accounted for only 3.6 per cent of world GNP and 5.1 per cent of world exports in 1986, it was responsible for 7.4 per cent of international phone traffic.

The pattern of Britain's phone calls is also highly skewed to the US, making clear that in 1986, at least, British business people did not have much to talk about to their counterparts in other European countries.

Nearly a quarter of the UK's phone traffic was to the US, while only 11 per cent was with West Germany, 9 per cent with France and 5 per cent with Italy. It will be interesting to see if this bias against Europe changes by 1992.

The other leading European economies, by contrast, spend most of their time talking to other Europeans and very little phoning across the Atlantic.

Germany's main correspondents are other German-speaking nations – Austria, which accounts for 12 per cent of its traffic, and Switzerland which is responsible for 10 per cent.

"Global telecommunications traffic flows and market structures: a quantitative review." International Institute of Communications, Tavistock House South, Tavistock Square, London, WC1H 9LF.

Government plans broad overhaul of food laws

By Bridget Bloom

THE BRITISH Government is planning to take wide-ranging powers to compel the licensing of food manufacturers, restaurants and corner food stores, to seize and destroy unfit food and to insist on training for those handling food in a commercial capacity.

A draft food bill, which would mean a considerable extension of existing powers, is understood to be before the Cabinet committee on food safety set up by the Prime Minister in February at the height of the salmonella-in-eggs and listeria scares.

The bill is expected to be given priority in the autumn session of Parliament. Ministers may decide to issue a draft law on the bill before Parliament's summer recess.

The Government's intention to bring forward food legislation has been given added urgency this week by food poisoning cases involving the dangerous and hitherto rare botulism.

A total of 22 people are being treated in hospitals in north west England and north Wales after eating hazelnut-flavoured yoghurts.

Health officials in Folkestone, Kent, said yesterday that inadequacies in heat treatment caused the outbreak of botulism in hazelnut purée supplied by a factory in the town.

They halted the manufacture of all low-acid food products at Young's Fruits until agreed improvements are carried out.

The proposed legislation will replace the Food Act of 1984, itself a consolidation of legislation stretching back in some cases to the 19th century. The act has been under review for nearly six years.

Government thinking on the changes needed emerged in a 100-page consultative document, although particular aspects have been clarified by ministers over the past few months.

The Government's aim appears to be not only to plug the many gaps in the 1984 legislation but to provide a more coherent legislative framework to cope with the considerable changes in food technology and with directives on food safety emanating from Brussels in preparation for the single market in 1992.

The principal features of the bill are expected to include:

- Powers to enable the Government to promulgate emergency control orders in cases involving unfit food or drink whether home-produced or imported.
- A wide range of new powers of enforcement. Environmental health officers, for example, could seize batches of unfit food rather than only the tested samples.

Trading standards officers would be empowered to enter factories, dairies or other food establishments to inspect the manufacturing processes of food production instead of being limited to testing the finished product, as at present.

- Powers to enable the compulsory registration or licensing of food manufacturers, restaurants, sandwich bars or other food retailers.

At present, only "premises used for the sale or manufacture of ice cream . . . sausages, potted, pressed, pickled or preserved food" need a licence, although even here catering premises are excluded.

- Powers to make compulsory the training of people handling food for sale. No such training is now necessary.

These provisions, and existing powers which would be brought forward into the new legislation would, it is thought, give the Government sufficient power to lay down and enforce standards for processing, distribution and retailing of so-called cook-chilled foods, one of the areas most criticised as lacking in safety.

The bill is also likely to introduce powers to control what are called novel foods and processes, which could range from the irradiation of food, to new packaging materials and the use of new biotechnological methods in food production.

The bill's provisions are likely to be welcomed in general by the food industry whose advice has been sought by Government in a lengthy consultation process.

However, it may well not go far enough for some critics. The Government seems unlikely, for example, to change the system under which the implementation and enforcement of food safety regulations are largely in the hands of the local authorities, who employ both the environmental health and the trading standards officers.

Neither is it likely to be clear from the draft bill precisely how the Government intends to interpret its new powers.

Any resulting Food Act is expected to provide the enabling legislation. The detail – on precisely what form of registration or licensing of food establishments will be required, for example, and what penalties might be imposed on transgressors – is likely to emerge only in future regulations.

Thatcher rejects centralised EC

By Michael Cassell, Political Correspondent

THE Government last night braced itself for a series of bad results in yesterday's European elections, with Mrs Thatcher still publicly defending British sovereignty and rejecting the "centralising tendencies" of the Community.

With opinion polls giving Labour a clear lead in the contest for Britain's 81 seats in the European Parliament, the Prime Minister staged a last-minute appeal in the Commons for Tory supporters to turn out and vote.

Mrs Thatcher told MPs that it was a Conservative Government which had created a strong Britain and voting Conservative would help to create a strong Europe.

The results of the elections will not be known until next Monday but last night Labour was increasingly confident of making significant gains.

Private telephone networks liberalised

By Hugo Dixon

MEASURES to liberalise private telecommunications networks in the UK allowing a new class of private operators to emerge were announced yesterday by Lord Young, the Trade and Industry Secretary.

The measures, which take effect next month, will challenge British Telecom and Mercury Communications, Britain's rival telecommunication groups, and make the UK the most liberal country in Europe in this respect.

The measures announced yesterday will also curb nuisance fax and telephone operators in response to the growing annoyance people experience from being inundated with unwanted calls.

Private networks are constructed by leasing telephone lines from the public operators. There is already a healthy market in the UK in leasing such lines, thought to be worth about £500m a year in revenue to BT.

However, there are at present a large number of complicated restrictions on what private companies can do with these lines. This has prevented the market developing as fast as it should have, the Government believes.

The new regime will allow companies to lease lines from the public operators and then sell capacity on them to third parties. The London Stock Exchange and Reuters, the financial news service, for example, would be able to use their extensive networks to offer rival phone services to the established operators in the City of London.

Groups of companies will also be allowed to share the same networks. When several companies from the South West of England wanted to pool their telephone traffic on a single network last year, they were stopped by the regulations.

Companies will also be able to link their suppliers and customers to the same private network. Building societies, for example, might wish to link up with their estate agents; and insurance companies with their brokers on their own telephone lines.

Unemployment falls to 6.4% as earnings growth steadies

By Simon Holberton, Economics Staff

THE NUMBER of people claiming unemployment benefit fell to its lowest level for 8½ years after a 23,000 fall in the seasonally adjusted count in May to 1.83m, the Department of Employment said yesterday.

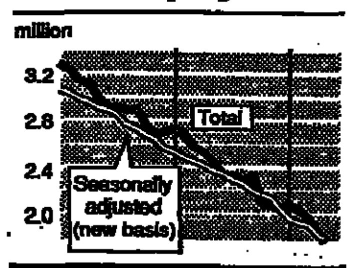
Last month's fall, which compares with a 60,200 decline in April, was the 34th consecutive monthly reduction in the jobless count and took the unemployment rate to 6.4 per cent of the adult workforce, its lowest level since November 1980.

Against the City of London's worst fears the figures showed that there had been no pick-up in the rate of growth of underlying earnings in the whole economy or the manufacturing sector. At an annual growth of 9¼ and 9 per cent respectively in April earnings growth was unchanged from the levels in March.

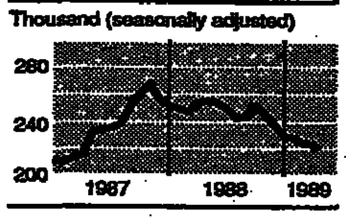
The underlying growth in earnings in the service sector rose to 9¼ per cent from 9 per cent in March on the back of higher pay settlements in the retail sector of the economy.

Despite the apparent slowing in the monthly rate of decline, Employment Department officials said the April and May figures had been distorted by the incidence of Easter this year falling wholly in April and that they held to their estimate of a 40,000 a monthly underlying fall in unemployment.

UK unemployment



Vacancies



Yesterday's figures show clearly, however, that the services sector of the economy is absorbing the growth in the labour market. Employment in manufacturing fell by 18,000 in April, the largest monthly fall in more than two years. Employment in the energy and water industries fell by 5,000.

Since the beginning of the year growth in manufacturing employment, which was relatively robust in 1988, appears to have tapered off. This would be consistent with the relatively little growth in manufacturing output since the third quarter of last year.

Vacancies at Jobcentres fell by 3,900 in May to 218,200. Vacancies have been fallen every month since last December and are now 36,300, or 14.3 per cent lower than a year ago.

Mr Norman Fowler, Employment Secretary said: "The rate of unemployment in the UK is lower than the European Community average. Over the past year the UK's unemployment rate has continued to fall faster than any other major industrialised country."

Mr Michael Meacher, the opposition Labour Party's employment spokesman, said: "Unemployment is bottoming out at nearly twice the 1979 level. A steep drop in vacancies this month compounds a steady fall of 47,000 over the last 18 months and is another sign that unemployment could be rising before the end of the year."

Trade gap worse than thought

By Ralph Atkins, Economics Staff

BRITAIN'S current account deficit in the first three months of 1989 was nearly £500m worse than previously thought, Government statisticians said yesterday.

Revised figures released by the Central Statistical Office also showed that the improvement in the deficit since the last three months of 1988 was less than earlier figures had suggested. They are likely to intensify pessimism about this year's current account.

In the first three months of 1989 the seasonally-adjusted current account deficit was £4.83bn, compared with the previously estimated £4.36bn. Figures for the fourth quarter of 1988 were revised from £5.48bn to £5.58bn.

The difference is explained almost entirely by downward revisions to the surplus in "invisibles" which includes the overseas earnings of service industries and from interest, profits and dividends. In the first quarter of 1989 the invisible surplus was £1bn against the previous estimate of £1.5bn.

Last year's current account deficit is now shown as reaching £14.94bn compared with the previously announced £14.67bn.

The 1987 deficit was £2.9bn. Current account figures continue to be plagued by so-called "black-holes" in national economic statistics caused by errors and omissions.

The current account deficit should equal, with a change in sign, net transactions in assets and liabilities but the first quarter needed a "balancing item" of £3.7bn.

The CSO said there have been large positive balancing items in the past three years, averaging more than £13bn a year. "This persistence inevitably throws doubt on the quality of the figures in the accounts in these years," it warned.

The breakdown of investment flows shows direct investment into the UK by overseas residents reached £4.23bn in the first quarter of 1989, up from £3.36bn in the previous three months. At the same time direct investment overseas by UK residents increased from £5.6bn to £6.24bn.

Portfolio investment in the UK by overseas residents – including purchases of shares and government stocks – were reduced by £1.98bn in the latest quarter. Overseas portfolio investment by UK residents reached £5.15bn.

In Brief

Borough admits rate swap was illegal

THE London borough of Hammersmith and Fulham will not contest allegations by its auditors that it acted illegally in when it agreed some £5bn in interest rate swap and options contracts with banks.

Failure to contest the allegations increases the likelihood that a judge will order the contracts cancelled, thus causing losses for the council's bank counter-parties of up to £186m over the next five years.

Eye pays damages

Private Eye, the satirical magazine which last month was ordered to pay record £600,000 libel damages to the wife of the Yorkshire Ripper, an award due to be challenged in the Appeal Court, yesterday agreed to pay "substantial" damages and costs to a London barrister, Mr Julian Byng, over an article about a private visit by two judges to his holiday home in Barbados.

Pub scheme rejected

Britain's biggest brewers yesterday rejected a suggestion by Lord Young, the Trade and Industry Secretary, that they could retain all their public houses but that a proportion should be operated on an arms-length basis with the freedom to sell any beer.

Dog vote lost

The Government's majority fell to 13 in the Commons in early hours of yesterday morning, when 30 Conservatives defied the whips and supported a proposal to introduce a registration scheme for dogs. The issue has grown in importance at Westminster after a spate of dog attacks on the public.

Rose theatre

The remains of the Shakespearean Rose Theatre will not be scheduled as an ancient monument, the Government said yesterday, because the developers' new design for an office building on stilts will both protect the remains and allow them to be displayed to the public.

Bank survey of 400 institutions

Financial sector 'set to gain from single market'

By David Lascelles, Banking Editor

THE European Community's plan to create a single market by 1992 contains more opportunities than threats for UK-based financial institutions, although it is unlikely to produce rapid changes in the financial services business.

The Bank of England reaches this conclusion from a survey of 400 banks, building societies, insurance companies, fund managers and professionals published yesterday.

The survey is the most authoritative assessment so far made of financial services' attitudes towards 1992, and was conducted both to find out what companies are up to, and to stimulate their awareness of imminent change.

The Bank says that 1992 will accelerate the evolution of the European financial markets in line with global trends towards deregulation, but will not itself usher in "a brave new world."

A genuine single market is most likely to develop first in financial products for large corporations – a trend which is already observable. But anything approaching a true single market in retail services is expected to be limited to a small range of items such as credit cards for some time.

The Bank says UK financial services industry appears confident of its ability to handle inward competition because of the traditional openness of UK markets, and the institutions' belief in their own capacity and competence. Even so, they will take action to secure their home base because of the threat of foreign competition and takeover.

However, the survey also shows that 1992 is unlikely to produce large bank takeovers, though there might be some restructuring at lower levels. Mergers and collaborations among institutions, often for defensive reasons, are also likely.

Among the countries where UK-based institutions are most likely to seek to expand are France, Italy and Spain, because of both their size and prospects for change. The German market is seen as too tight and static.

London comes out well. Respondents, even those from elsewhere in the EC and outside it, said they saw it as their preferred base to run pan-European operations. However, many of them were worried about the rising burden of UK regulation, and said this might prompt them to move out.

Generally, the Bank says, awareness of 1992 has improved greatly among financial institutions, and many of them have gone a long way towards establishing a corporate strategy which takes account of 1992. Some were still trying to decide what to do, but some had failed to address issues effectively.

Rapid response to aviation faults

Michael Donne on the trouble-shooting network guarding air safety

THE SPEED in which Britain's Civil Aviation Authority has responded to the problems on certain Boeing 737 engines this week has focused attention on how the regulatory bodies keep check on safety.

Within 48 hours of the first reports of a fan-blade failure in a CFM-56-3C1 engine on a Dan-Air 737-400 flying from Gatwick to Minorca, 12 aircraft used by five UK airlines were grounded, and within another 24 hours the rest of the world fleet of 737-400s using the same engines had been grounded.

There were clear similarities with The fan-blade failure on Dan Air – the independent UK carrier – and the blade-failures in the British Midland 737-400 which crashed in the Midlands last January.

The secret of the rapid response to such a serious safety problem lies in a complex network of information exchange between the world's airlines, aircraft manufacturers and regulatory authorities, which ensures that within hours of an incident virtually every one in world air transport knows about it.

In the UK, the basic information is contained in a Mandatory Occurrence Report, or MOR, filed by a pilot or a ground engineer when anything goes wrong with an aircraft in flight or on the ground. Thousands of reports are filed each year with the Civil Aviation Authority (CAA).

Some are filed directly with CAA personnel working at airline maintenance bases. Others go to the Air Accidents Investigation Branch of the Department of Transport if they are serious enough.

All of them are filed on computers at the CAA's own Safety Data & Analysis Unit at Gatwick Airport, London.

There is always an immediate response to any incident that reveals similarities to past events.

CFM International – the joint company set up by Snecma of France and General Electric of the US to build the CFM-56 engines – told the CAA there was major problem.

As a result CFM recommended all operators of 737-400s to use reduced maximum take-off power from the 23,500 lbs to 22,000 lbs.

The British Midland incident on Sunday, when one of its 737-400s with 3C-1 engines experienced a similar fan-blade failure was reported immediately, this time to the Air Accidents Investigation Branch, because it involved the structural integrity of the engine, which in turn told the CAA.

The CAA's Safety Regulation Group – which oversees the safety decided the similarities between the Dan-Air and British Midland incidents, and the Midlands air crash, were so close as to warrant grounding all 12 737-400s with 3C-1 engines on the register.

Boeing the aircraft manufacturer, CFM International and its partners Snecma and General Electric on the engines, the airlines, and other airworthiness authorities were all kept informed.

When the grounding order came, the airlines were poised to respond, and the US Federal Aviation Administration soon followed suit.

What is now happening is that a worldwide investigation into what caused those fan-blade fractures is in progress.

Every aero-engine manufacturer in the world is as deeply concerned as CFM about what has happened, for the inquiry reflects on the integrity of manufacturers.

Until the cause is established and a solution found, whether by fitting new fan-blades or redesigning the engine, the 33 aircraft involved, including 12 in the UK, will stay grounded.

The Midlands crash: a source of vital airline safety information

Boeing to discuss options for restoring 737-400 services

By Michael Donne and Lynton McLain

BOEING, the US aircraft manufacturer, is to meet the Civil Aviation Authority and the five UK airlines whose Boeing 737-400 airliners have been grounded, today at London's Gatwick Airport to discuss options for getting the aircraft back into the air.

The meeting has been called to consider first, whether the 737-400 airliners should be fitted with the B2 version of the CFM56 engines in place of the 3C-1 engines currently fitted to the UK fleet of 12 Boeing 737-400 airliners.

Fan blades in the 3C-1 engines failed on three occasions in flight, twice last weekend and in January when a British Midland Airways' Boeing 737-400 crashed killing 47 people.

The representatives will also consider whether the front fan and disc on the 3C-1 engines should be replaced and whether the complete fan assembly should be changed.

The French-based makers of engines fitted to the grounded Boeing 737-400 airliners said, however, that no defects had *been found in engines so far* examined.

British Midland Airways is meeting the crisis caused by the grounding of its 737-400s by using aircraft from one of its major shareholders, Scandinavian Airlines System.

Air Europe, the holiday charter and scheduled airline of International Leisure group which had to ground its four Boeing 737-400 airliners, has had to cancel four of its flights since Monday. Air Europe passengers were transferred to other, scheduled airlines.

● Important recommendations for the improvement of air safety were approved by the Government yesterday, which also turned down suggestions for a number of major changes to the present system, Rachel Johnson writes.

Mr Paul Channon, the Transport Secretary, said the Government broadly accepted the analysis of the Civil Aviation Authority's air traffic control safety record by the all-party transport select committee in Parliament.

The committee's recommendations for a main second runway at Gatwick was rejected by the Government, although the committee asked that one *should be provided in spite of* the "many difficulties, obstacles and inevitable controversy" that would follow.

Venture on substitutes for CFCs

By John Hunt, Environment Correspondent

SEVEN chemical companies from around the world have agreed to collaborate on a joint research programme costing £3m to test safe alternatives to chlorofluorocarbons (CFCs), the materials which cause depletion of the atmosphere's ozone layer.

The companies will pool resources to test substances HFA-124 and 125, which are potential replacements for CFCs in a variety of applications.

The substitutes will be tested to ensure that they have no dangerous side effects.

Companies taking part are Allied-Signal (formerly Allied Chemicals) and Du Pont in the US, Atochem in France, ICI and ISC Chemicals Ltd in England, Daikin of Japan and Montefluos of Italy.

The programme will avoid duplication of tests by participating companies and should shorten the overall toxidity testing period from six or seven years to about five.

It will also prevent overloading of laboratory space and ensure the supply of substitute materials in which there are shortages.

Dr Brian Joyner, business development manager, of RTZ Chemicals, parent of ISC, said he expected the development of safe alternatives to CFCs to be "a long haul".

HFA-124 is being considered as an alternative for CFC-12 and CFC 114 which is used in thermoplastic foams which are employed in packaging, in insulating material and as a refrigerant.

HFA-125 is a possible alternative for a mixture including CFC-115 which is used in a variety of refrigeration systems.

The two substitutes have shorter atmospheric lifetimes than CFCs

BSB wins satellite channels

By Raymond Snoddy

BRITISH Satellite Broadcasting, the satellite television company, was yesterday awarded the UK's last two high-power satellite channels by the Independent Broadcasting Authority.

This should mean, subject to technical tests, that BSB will launch its service next spring as a five-channel system.

BSB, which last month postponed its planned September launch because of technical difficulties, was originally awarded three direct broadcasting channels in December 1986. Like other European countries the UK was allocated five DBS channels and the Government decided to bring forward plans for the remaining two channels after the launch of Mr Rupert Murdoch's Sky Television on Astra.

BSB plans to use its two extra channels for NOW, an information channel, and The Power Station, a channel based around pop and rock music. The original three channels will be The Movie Channel, The Sports Channel and Galaxy, an entertainment channel.

BSB's shareholders include Granada, Pearson (publishers of the Financial Times), the Bond Corporation and Reed International.

● The BBC has signed a five-year agreement for a television channel on Olympus, *the European Space Agency's* experimental satellite, to be launched next week.

The BBC will use of the satellite between 5pm and 1am Central European Time to transmit over Europe to cable networks and those with suitable receiving dishes.

The channel, BBC Olympian, will carry programmes from both BBC1 and BBC2, educational and training material and possibly specialist subscription services

W. German group forms joint UK car part venture

By Nick Garnett

IN A further move by continental European companies into the UK automotive component industry, Lemforder of West Germany is entering a joint venture with United Engineering Steels for the manufacture of suspension and steering parts.

UES, the UK's second largest steel maker manufactures ball joint assemblies and tie bars at its Special Products Darlaston business in the West Midlands.

This business is to form the basis of a new company to be owned 50/50 by UES and Lemforder which is 51 per cent controlled by ZF, the West German gearbox maker and engineering company.

UES is contributing the Darlaston business which sells to a number of car makers, including Ford and Rover. Lemforder will provide cash for share and loan capital.

The British company said yesterday that the new company, to be called Special Products *Lemforder would benefit* from the technical and marketing strength of Lemforder. The West German company would gain by obtaining access to the UK market.

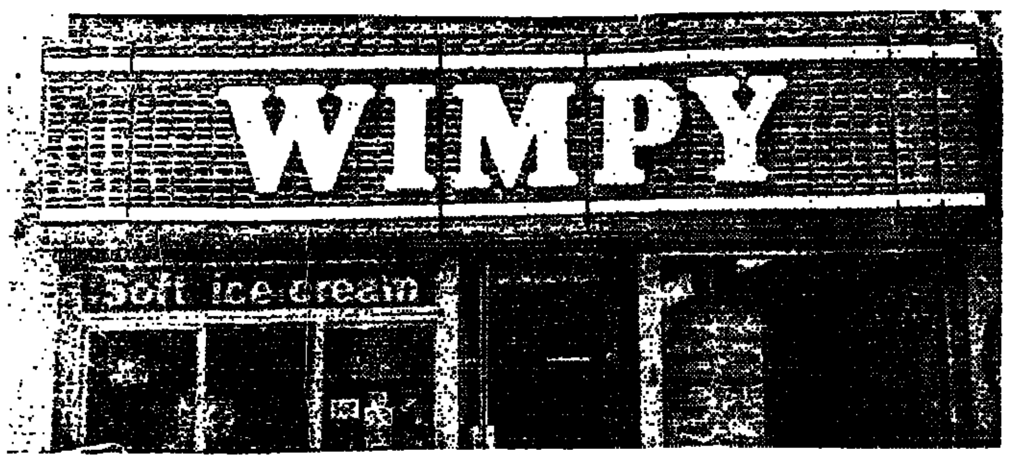
Mr Paul Ballmeier, Lemforder's chief executive and a ZF director will be chairman of the joint venture business. Mr Jim Evans, plant director at Darlaston will become managing director.

The Darlaston company employs 210. The new company is expected to begin trading next month.

The British motor component industry has seen a number of acquisitions by non-UK companies, joint ventures and the setting up of greenfield sites in the past two years.

These include the purchase of the Lucas lighting business by Marelli of Italy and the setting up of Japanese component plants near Nissan in the north-east. The trend has accelerated recently with the decision of Bosch of West Germany to build a plant in South Wales.

MANAGEMENT



Up for sale: United Biscuits' two principal fast food restaurant chains

Back to the basics of biscuits

Christopher Parkes examines the background to United Biscuits' decision to sell its fast food restaurant chains and concentrate on building more value into its core businesses

There is, Simon Tuckey says, more than one way to skin a continental cat. The marketing director of UB Brands, the baked goods division of United Biscuits, rolls a packet across the desk, fresh from the company's ovens at Ashby-de-la-Zouche, crackling in an unfamiliar wrapper. *Grancereale*, it reads, and to one side, the brand name Barilla.

Of course, Nabisco's continental biscuit and snacks businesses – so recently and so gallingly snatched from under the gathering bidders' noses by France's BSN – would have given Britain's biggest biscuit maker a more substantial cutting edge in Europe. But the new link, baking cookies for Italy's Barilla, one of the continent's largest private food companies, illustrates UB's other options for pursuing profit in the community.

There are more, similar, plans in preparation – it is now standard practice for the company to test market new products in Milan and Bonn in tandem with trials in Manchester and Birmingham – and the acquisition file is still open.

The recent reorganisation of its European snacks business, bringing the fledgling Belgian Westimex and French Sepa under the wing of the core KP operation in Britain, confirms a timely focus on European markets. And this week's preparations for the sale of fast food chains, Wimpy, Pizzaland and Perfect Pizza, demonstrate a determination to concentrate on the core businesses: biscuits, snacks, confectionery and frozen food, which account for about 95 per cent of sales and trading profit.

Wimpy, a substantial part-owned, part-franchised hamburger chain, has been through the fire in the past few years, but has recently emerged as a worthy competitor to McDonald's with a claimed 33 per cent bite of the burger market.

Pizzaland, meanwhile, has some way to go. Ranking second by market share, with 159 restaurants at the end of 1988, it falls much further behind Pizza Express in terms of customer preference. Much work is being done on repositioning the chain, extra staff are putting a little more zip in the service, but trading profits of only £1.5m on sales of more than £60m last year suggest that UB is well advised to leave the selling of pizza to the experts and stick to what it knows best, food manufacture.

With BSN now sporting the crown of Europe's biggest biscuit maker, and with stiffening local competition in the UK from the likes of Northern Foods (another company routed out of the Nabisco auction by BSN), UB is looking to its laurels. By the standard measures, the group's 47 per cent share of the overall biscuit market in branded and retailers' labels gives it a powerful position in the UK market. But that market is fragmenting.

By Tuckey's reckoning, the £1.2bn biscuit market is under challenge from confectionery countlines such as KitKat, bread, cakes, crisps, nuts, even fruit and prepared sandwiches. Accordingly, UB as a group is moving outwards into these areas in co-ordinated fashion.

UB Brands, meanwhile, is busy chipping away at the countline business, selling biscuit-based coated products. Hob-nob bars and a new product, Gold Bars, are expected to turn over £25m this year from a standing start in 1988. The aged Penguin has also been dusted off and given a promotional boost, with the result that in the first four months of this year, UB's share of the multipack countline market climbed to more than 23 per cent from 19 per cent last year.

UB Brands has been transformed to cope with changing market conditions. Last year it absorbed the own-label biscuit operations of KP Foods, which is now focused entirely on nuts, crisps and other savoury snacks. Under the control of Eric Nicoli, recently named as heir apparent to chairman, Sir Hector Laing, it has been divided into four discrete profit centres – biscuits, baked snacks, speciality biscuits and McVitie Cake – "More, smaller ponds for people to be big fish in," Tuckey says.

He has especially high hopes for the smallest of these ponds, speciality biscuits. This is currently occupied by Simmers, a little known UB company, turning over a mere £9m a year, compared with £341m from the mainstream biscuits business. It has the job of tackling the interlopers, generally small independent manufacturers, which have carved out a presence for themselves among the smaller specialist retailers in the underbelly of the mass market.

There is also an international dimension to the company's new policy. Although UB already exports some 10 per cent of its biscuit output, with £40m of sales income from continental Europe each year, Tuckey admits that competing with entrenched mass market competitors supplying long-established specialities is an uphill task.

However, he says, continental biscuit makers face competition similar to that in the UK, with countlines and other snacks gaining favour. Since these tend to come in novel forms with new tastes, he considers UB, with its legendary production efficiency, quite capable of competing effectively.

At home, meanwhile, the company is absorbed by problems brought on by the efficiency which has given it its powerful position in the market.

"Look at that," Tuckey snorts. A graph on the wall shows the retail prices index since 1980, 27 points higher than the index of biscuit prices. "Those damned lines go all the way back to 1945 like that."

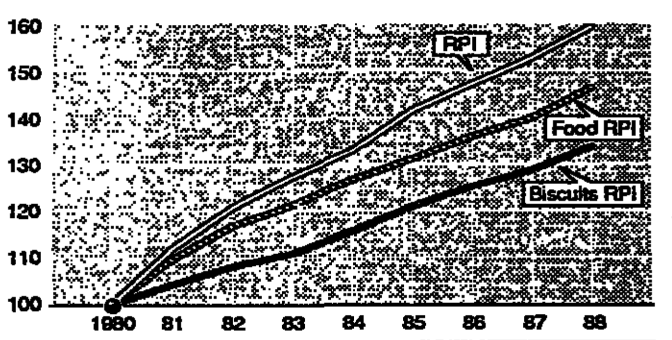
UB is a victim of its own success, he says. The group's response is showing through in efforts to push more sophisticated and expensive product into the shops. It is currently promoting Boasters, a pricey new line with a gross sales value of £3,500 a tonne, compared with around £1,100 for McVitie's digestives. Mini Cheddar biscuits and the Gold Bar and United countlines sell at around £3,000.

It was to push more of these products into supermarkets that UB scrapped almost 40 routine brands between 1986 and 1988. But the project has had little discernible success. The group has not lost market share, but much of the shelf space it freed has been taken up by run-of-the mill products – "there's still tons of cream crackers and not enough chocolate" – and copies of UB's best-selling Hob-nobs. Fox's, the Northern Food subsidiary, piled in with a new range of assortments, a market sector previously believed to be in terminal decline, and discovered it had too little capacity to meet demand.

Looking on the bright side, Tuckey suggests that this conservatism in consumer tastes and retailing tactics, combined with good old British xenophobia, may offer some protection from any planned invasion by BSN's continental brands.

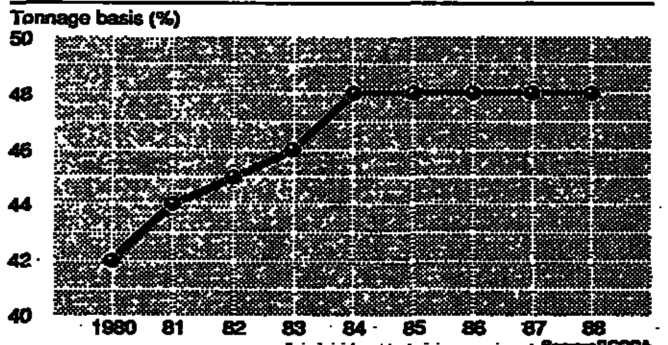
However, at least until UB succeeds in upgrading UK biscuit-eating habits, there is another, much more secure obstacle to imports: the sluggardly biscuit prices index. With basic biscuits selling in community countries at almost twice the prices prevailing in the UK, no overseas manufacturer will willingly throw itself on that particular bed on nails.

Biscuit prices relative to inflation



UB share of branded biscuits

Tonnage basis (%)



Source: BCCCA

American CEOs take a parochial view of competition

By Michael Skapinker

American chief executives think that their successors will have to be good public speakers who know how to deal with the media.

They do not, however, believe that the chief executives of the future will need any foreign language skills or international business experience. Nor do they think that foreign competitors will pose much of a threat to US companies in the 21st century.

Business leaders in Japan, Western Europe and Latin America take a different view. They believe that the chief executives who lead their companies into the 21st century will have to be fluent in several languages and have extensive international experience. They think that their successors will face an increasing level of international competition.

The authors of a new report, based on a survey of over 1,500 senior executives in 20 countries, think that the Europeans, Latin Americans and Japanese are right. The American view, they say, is worrying and depressing.

The report, by headhunters Korn/Ferry International and the Columbia University Graduate School of Business, says that "the insularity of US attitudes towards international business and international communications, while neither unexpected or new, points to a continuation of America's lagging competitiveness.

"By discounting the importance of an international outlook, of multilingualism and of foreign assignments, our US respondents gave expression to a parochialism that can only inhibit opportunity."

What the US executives were worried about was the level of government regulation of business. "Indeed, government regulation is viewed as the most serious threat of all by US respondents, who believe that the era of deregulation is behind them," the report says. The Americans were also worried that future chief executives would not be able to attract enough qualified staff.

The Japanese respondents, on the other hand, were optimistic about the continued availability of qualified employees. They did not think that government regulation posed a particular problem. They did, however, regard foreign competitors as a threat – hence their emphasis on the importance of language skills and global experience.

The Japanese also thought that chief executives in the year 2000 would need to understand technology. "The Japanese perceive technology, in its many manifestations, as the key to success in the 21st century. In line with their emphasis on new product development, our Japanese respondents rated such areas as research and development and technical education more highly than their counterparts in other regions."

The Japanese also thought that the business leaders of the future would continue to make all the important decisions. The chief executive's "involvement in all decision-making processes has long been a distinguishing feature of Japan's corporate structure," the report says.

"Although Japanese respondents predict a slight decrease in this trait between now and the year 2000, they still consider it more important than any of our other respondents. While responsibilities in the Japanese corporation are invariably delegated, the chief executive will still have to approve all significant plans."

The Western Europeans thought that the chief executive of the future would, ideally, have had a specialised education. The report found that Western European executives valued a liberal arts education less highly than their counterparts in other regions.

They also placed less emphasis on experience in different business functions than chief executives elsewhere. "Fewer than half the executives from Western Europe considered such experience very important, compared to about two-thirds of executives from other regions. These figures suggest a European bias towards functional excellence in a single area as an important criterion for executive advancement."

Reinventing the CEO, from Korn/Ferry International, Norfolk House, 31 St James's Square, London SW1 4JL. £30.

HOW TO RUN A BANK FOR PEOPLE WHO CREATE WEALTH

The American Express Bank is organised around the individual whose wealth is the product of personal enterprise.

How we serve such clients is as important as the services we provide.

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***OUR MISSION IS TO SERVE** today's most successful people and their businesses, around the world, around the clock.*

Our clients are creators of wealth. They have little need of bankers who are passive stewards.

Instead, they will seek out the bank that is most ambitious on its clients' behalf, that is most successful for its clients, and, above all, the most responsive.

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THE MOST SUCCESSFUL PEOPLE ON EARTH

In your dealings with clients, mould your organisation to the client's own. Recognise and respect a client's ties with other banks. Heed those who counsel your clients.

Don't take on a new client unless you can pledge your top people. Make it a policy to *exceed* expectations.

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Don't oversell. Promise only what you can deliver, and deliver quickly. Make security your passion. Guard client confidences like the Crown Jewels.

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It is no accident that they mesh so neatly with the personal, commercial, and entrepreneurial needs of our clients.

◇ Currency traders positioned around the globe assure our clients of 24-hour access to foreign exchange and Treasury Services at highly competitive rates.

◇ Our specialists in asset finance, real estate, and other disciplines keep their bags packed. They can be at a client's side inside a day.

◇ Timely information is often more valuable than gold to our clients. Not at all by chance, American Express Company is the largest private user of telecommunications services on earth.

◇ When tragic floods in Bangladesh left *30 million* homeless, bank staff often had to swim to work. American Express Bank stayed open as usual, serving its clients.

AN ELITE CORPS

In recruiting, be patient. American Express Bank is an elite corps. Hire only those who can *enhance* our reputation. They are rare birds. Seek out those few who combine these traits:

1.
Character. Cast-iron integrity, brains, energy, stamina, and grace under pressure.

2.
Verve. We admire activists who are willing to break some china within the Bank in order to be effective for their clients.

3.
Entrepreneurship. We reward those whose solutions to one client's needs create fertile opportunities for other clients.

4.
Unselfishness. Every Account Officer must be a "switchboard" connecting each client with *whoever* will best serve his needs.

5.
Resilience. People who thrive on weeks of sustained effort, and who display a genius for keeping up with change.

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Spend at least half your time outside your office, among clients. You'll be amazed at how much smarter you become.

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Never forget for an instant that when your clients trust your people they are really trusting *you*. You are the captain of the ship.

Eradicate intolerance in any form. Ditto parochialism. We are international bankers, not village bureaucrats.

Respond instantly to requests from other offices and your own requests will receive equal attention.

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AMERICAN EXPRESS BANK

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Austria	*Cayman Islands*	*Greece*	*Japan*	*Monaco*	*Singapore*	*United Arab Emirates*
Bahamas	*Chile*	*Hong Kong*	*Korea*	*Netherlands*	*Spain*	*United Kingdom*
Bahrain	*China*	*India*	*Lebanon*	*Nigeria*	*Sri Lanka*	*United States*
Bangladesh	*Egypt*	*Indonesia*	*Luxembourg*	*Pakistan*	*Switzerland*	*Uruguay*
Brazil	*France*	*Italy*	*Malaysia*	*Panama*	*Taiwan*	*Venezuela*

It is the custom of American Express Bank's most senior people to meet with prospective clients. To arrange an introduction, please contact the head of office in any one of these 42 countries.

TECHNOLOGY

If the community charge cannot be collected efficiently, UK councils will lose a lot of money. FT writers assess the technical solutions

Rolling register rocks the poll tax system

Every time Grampian regional council, in north-east Scotland, makes another mail-shot to its community charge payers, it receives a wave of replies from people saying that they have moved house.

"The annual rate of changes to the register is running at 40 to 50 per cent at the moment," says David Berrie, the council's director of computer services. "There seem to be people who move house at least four times a year."

Berrie has been involved for two years in devising, testing and operating the system for collecting the community charge, or poll tax, from 400,000 people in the region. The system works – payments are coming in – but at a cost of hundreds of extra man-hours of work, data processing runs of 100 hours and a heavy investment in hardware and software. The community charge uses up as much computer file storage space as all the council's other systems put together.

The charge came into force in Scotland in April, a year ahead of England and Wales. The domestic rating system, a tax on each dwelling, has been swept away; now each adult pays a single rate to his or her local authority. Some people are entitled to a rebate of up to 80 per cent. Instead of 1.2m householders paying rates, the tax has to be collected from 3.7m individuals. The core of the system is a continually updated "rolling" register which keeps track of each person.

Scotland's nine regional councils, the upper tier authorities which administer the tax (unlike in England where lower tier district councils are responsible), started assessing their software requirements two years ago.

The four users of ICL equipment – Lothian, Fife, Grampian and Highland – drew up a joint specification for the software programmes they wanted to cover registration, billing, collection, rebates and recovery. They worked with ICL and with CSL, the commercial arm of the Chartered Institute of Public Finance and Accountancy which drew up a manual for the Government on how to operate the community charge.

Grampian launched an initial canvass of potential community charge payers in April 1988 using the interim software prepared by ICL. To create the first draft register, says Berrie, "we took the addresses from the rating valuation roll and tried to match them up with the names on the electoral register using the two computer files. Then we sent out registration forms and when we got the replies we updated the file."

This canvass rapidly revealed the inadequacies of these sources as a basis for the tax. The electoral register is always out of date as it is published in February using data collected the previous October, and 25 to 30 per cent of it changes each year. It does not include certain people, such as aliens. In consequence, a huge number of differences had to be dealt with.

When the mainstream software arrived from ICL last August, it took three weeks of running programmes day and night to transfer the data from the interim register to the new file structure. At the same time, acceptance testing of more than 1,000 software programmes was carried out – taking many more man-weeks than the council had estimated.

The next stage was to print out notifications based on the canvass and send them to the 400,000 people on the register. "The first thing that happened was that a load came back saying they had changed address – about 15 to 20 per cent in just a few months," says Berrie. "Of course, every time a family moves that can involve four people changing address, instead of just one change under the rates system."

With the notifications, details went out of how to obtain a rebate and how to pay the community charge. "It is important to get as many people as possible to pay by direct debit," says Berrie, "because direct debit is a computer-generated system which automatically tags the person's reference number to the payment, making it easier to identify. It's better in that respect than standing order payments.

"The reference numbers are important because with the community charge there are so many payments of exactly the same amount. Under the rating system, where everyone was paying different amounts, it was often possible to trace someone's payment by the amount itself, if other details were missing," he says.

But many people in Grampian did not sign a direct debit form in advance and, initially, far fewer people requested rebates than were entitled to do so – despite an advertising campaign to alert them.

It was only when the bills went out in March that people deluged the council with direct debit mandates and rebate requests – and a further sheaf of changes of address. These necessitated sending out new bills incorporating rebates and changed addresses. The processing of rebates went on well into May.

About 100,000 people – a quarter of the tax payers – have signed direct debit mandates and a further 30,000 standing orders. The majority pay using an A4 sized card which can be stamped by a machine at regional and district council offices, which have terminals linked to the central computer. Some other Scottish regions issue books of vouchers which can be used to pay the charge at post offices.

Grampian is unwilling to say how payment is going, and it is too early to obtain a full picture since the council is allowing people to pay in two half-yearly instalments, the first of which was only due on June 1. In Scotland overall, the number of payments made during the first two months of the community charge averaged between 60 and 75 per cent of the maximum.

Soon Grampian will be sending out the first batch of reminders to late payers and it is bracing itself for another canvass. The canvass operation is hampered by the fact that the official form, designed by the Scottish Office, does not ask the person his previous address, thus imposing more work on the registration staff in trying to trace people back to their former addresses.

"With the community charge there's no manual system, unlike any other activity of the council," says Berrie. "This is a computer system or nothing."

To make it work, the assessors' department, which administers the community charge, added 20 to its staff of 107. The finance department had to staff offices in Aberdeen and elsewhere to collect the tax. Berrie's own department took on five additional people to add to the existing staff of 30, and hired three more for software development – though at peak times last year it had 10 to 15 people working on this. The computer department worked an extra shift in the computer room.

A mainframe computer was bought from ICL at a cost of £1.6m. The council now has two mainframes, located for security reasons in separate buildings. Terminals, telephone lines and cash receipting equipment had to be bought, bringing the total hardware bill for Berrie's department to about £2.2m.

He believes that the computer system that has been developed for Grampian is highly versatile in the number of ways it can trace payments, payers and non-payers.

England and Wales will have an easier task operating their poll tax systems: most will receive software that has already been tested, and the smaller district councils will have shorter processing runs than the bigger Scottish regional councils. "We've done batch runs lasting 100 hours; English councils may get through them in 20 hours," he says.

James Buxton

"HAS ANYONE NOTIFIED THE COUNCIL WE'RE HAVING A WIFE SWAPPING PARTY?"

Cash payments to go through the wall

The High Street electronic cash revolution has reached the UK's town halls.

In an attempt to smooth the payment of the community charge, several local authorities plan to install through-the-wall cash machines. Although they look like the ubiquitous bank and building society cash dispensers, there is one crucial difference: you have to put money in.

The poll-tax machine is supposed to reduce administrative costs by cutting the number of over-the-counter payments at post offices and town halls. It also makes it easier for low-earners or people without bank accounts to pay in instalments.

Philips Business Systems, a UK subsidiary of the Netherlands company, is adapting its conventional cash dispensers for the purpose.

Westinghouse Cubic already manufactures a payment system for four electricity boards. Customers who use pre-payment meters are issued with a card, which gives them access to a High Street machine to buy tokens for the meter.

The principle of the poll tax machine is equally simple. People who opt to pay the community charge by cash or cheque will receive a plastic card. The magnetic stripe on it will be encoded with the cardholder's name and a list of bills – council house, garage or allotment rents as well as the community charge – which the "customer" can pay through the machine.

The machines accept coins and notes. The value of cheques has to be punched into a simple keyboard. A receipt is issued showing the date, location and value of the deposit.

In theory, the machines should be able to reveal – as bank dispensers do – how much the "customer" owes the council. But local authorities, worried about the need to protect data and the implication that they are issuing identity cards to low-earners, have refused to allow direct links between the machines and the central council computer.

So each machine has its own data processing unit, on which all the day's information is stored. This can be accessed from a town hall PC, via a modem, and the central computer records are then updated.

Raymond Tollman, Westinghouse's business development manager, says the group has already received orders for more than 60 machines. "There are more than 400 local councils, but although some well-heeled boroughs won't need them, we estimate the market to be more than 600 machines around the country, and it could be as many as 1,000," he says.

That level of demand would make Westinghouse and its joint owners, Hawker Siddeley and Cubic Corporation of the US, very happy: the machines cost £27,000 each – and some of the larger London boroughs are ordering six at a time. The Philips model is £15,000.

Even a less sophisticated machine from Reading-based Banking Automation, similar to the paying-in machines it has installed in banks, costs at least £6,000.

Andrew Hill

On the trail of the mobile resident

For local authorities, the register of community charge payers means money.

If just one per cent of tax payers escape the net, the average metropolitan district would lose £500,000 of annual income, according to Hugh Morrow, Revenues Business Manager for ICL, the computer manufacturer. Outside metropolitan areas, the average council would lose £200,000.

And, as Morrow points out, local authorities "need the revenue or there are no services."

A crucial factor in keeping the register up to date will be for each authority to inform others when residents change districts. But the volume of migrating poll tax payers is expected to be too great for it to be practical to send the lists by post.

The most promising alternative is to use electronic communications networks linking local authority computer systems. Operators of two such networks are already touting for business, but the two services are not compatible. As a result, local authorities could face either being cut off from many of their peers or subscribing to two networks.

The first network operator to enter the fray was Telecom Capita, a joint venture between British Telecom (BT) and Capita, the local government computer services group, of London. On this network, messages are sent via the Telecom Gold electronic mail service, which is run by Dialcom UK, part of BT.

Trevor Havelock, of Telecom Capita, says his organisation "hasn't really considered" the question of swapping data between the networks. But he believes that the stumbling block will be the commercial terms of the connection.

What is likely to happen is that one of the two networks will become dominant, giving it more muscle in the negotiations over the price paid for data sent from one network to the other.

So far, only a handful of the UK's 400 local authorities are committed to the service. Chris Howe, of BT's government national accounts division, says many more are waiting to see which network their neighbouring councils plump for.

With the Telecom Capita service, each local authority is allocated a mailbox on the network, so a message can be sent directly from its computer system to another authority's mailbox when one of its residents is on the move.

To find out which addresses come under the auspices of which local authorities – a particular problem in London – Telecom Capita is putting together a database listing all the addresses in the country, based on a directory from Longman, the publisher.

The second service, from the Chartered Institute of Public Finance and Accountancy (Cipfa), will run over a private national data network from International Network Services, a subsidiary of ICL.

The Cipfa network will use geographic location software supplied by Pinpoint Analysis, of London, to match addresses with local authorities.

Della Bradshaw

COMPANY NOTICES

RAND MINES LIMITED

PAYMENT OF COUPON NO. 101

With reference to the Company's interim report and dividend notice advertised in the press on 22nd May 1989, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 12th June 1989.

Payment will be made against coupon no. 101, on or after 3rd July 1989 in U.K. currency at the Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the Securities Department of Hill Samuel Bank Limited, unless coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deductions are made the net amount of the dividend is as follows:-

	South African Currency per Share – Cents	U.K. Currency equivalent per Share – Pence
Amount of dividend declared	120.00	27.58050
Less: South African non-resident shareholders' tax at 15%	18.00	4.13708
	102.00	23.44342
Less: U.K. Income Tax at 10%		2.75805
		20.68537

SECRETARIES OF THE COMPANY IN THE UNITED KINGDOM
Viaduct Corporate Services Limited, 40 Holborn Viaduct, London EC1P 1AJ

16th June 1989

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:
Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

(Incorporated in the Republic of South Africa)
Registration No 01/00858/06

RAND MINES
BREAKING NEW GROUND EVERY DAY.

BANK LEUMI (UK) PLC

US $10,000,000 UNDATED PRIMARY CAPITAL FLOATING RATE NOTES

The interest rate application to the above Notes in respect of the interest period commencing 16th June 1989 has been fixed at 9¾% per annum.
The interest amounting to US $50.10 per US $1,000 and US $501.04 per US $10,000 principal amount of the Notes will be paid on 18th December 1989 against presentation of Coupon No. 8.

BANK LEUMI (UK) PLC
Principal Paying Agent

bank leumi בנק לאומי

LEGAL NOTICES

MURRAY ELECTRONICS PLC

Notice is hereby given that a Petition has been presented to the Court of Session by Murray Electronics PLC ("the Company") and Murray Technology PLC, both Companies incorporated under the Companies Acts and having their respective Registered Offices at 7 West Nile Street, Glasgow, craving their Lordships inter alia (1) to order a Meeting of the holders of the ordinary shares of 25p each of the Company to be convened for the purpose of considering and, if thought fit, approving, with or without modification, the Scheme of Arrangement as set forth in the Appendix to the said Petition, (2) to pronounce an Order sanctioning the Scheme of Arrangement and (3) to pronounce a further Order confirming the reduction of capital of the Company which forms part of the said Scheme of Arrangement.

In said Petition, by Interlocutor dated 14th June, 1989, the Court of Session has ordered a Meeting of the holders of the ordinary shares of 25p each of the Company to be convened for the purpose of considering and, if thought fit, approving, with or without modification, the said Scheme of Arrangement and has authorised the directors of the Company to fix the day, hour and place of the said Meeting.

As authorised by the said Interlocutor the directors have fixed the day, hour and place of the said Meeting and NOTICE is HEREBY given that the said Meeting of the holders of the ordinary shares of 25p each of the Company will be held at 7 West Nile Street, Glasgow on Monday, 10th July, 1989, at 10.00 a.m. at which place and time all holders of the said ordinary shares of the Company are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the document containing the Explanatory Statement explaining the effect of the said Scheme required by Section 426 of the Companies Act 1985 may be obtained by the said Ordinary Shareholders upon application to the offices of McGrigor Donald, Solicitors at Pacific House, 70 Wellington Street, Glasgow, G2 6SB or at 2-8 Masons Avenue, London EC2 5BT and may be seen at these offices during usual office hours.

A Shareholder entitled to attend and vote at the said Meeting may vote in person thereat or may appoint another person or persons, who need not be a Shareholder, as his proxy, to attend and vote in his stead.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company.

Shareholders are requested to lodge forms appointing proxies as soon as practicable with the Company's Registrars, Clydesdale Bank PLC, Stock Exchange Services Department, The Guild Hall, 57 Queen Street, Glasgow, G1 3EA, and in any event not later than 48 hours before the time fixed for the Meeting but if forms of proxy are not so lodged they may be handed to the Chairman at the Meeting.

The Court has authorised the Chairman of the Company, or failing him any other Director of the Company, to be Chairman of the Meeting and directed such Chairman to report the result thereof to the Court. The said Scheme of Arrangement will be subject to approval of the Court.

McGRIGOR DONALD,
60 Albany Street,
Edinburgh.
Solicitors for the Company 16th June, 1989

LEGAL NOTICE

MURRAY TECHNOLOGY INVESTMENTS PLC

Notice is hereby given that a Petition has been presented to the Court of Session by Murray Technology Investments PLC ("the Company") and Murray Electronics PLC, both companies incorporated under the Companies Acts and having their respective Registered Offices at 7 West Nile Street, Glasgow, craving their Lordships inter alia (1) to order a Meeting of the holders of the ordinary shares of 25p each of the Company to be convened for the purpose of considering and, if thought fit, approving, with or without modification, the Scheme of Arrangement as set forth in the Appendix to the said Petition, (2) to pronounce an Order sanctioning the said Scheme of Arrangement and (3) to pronounce a further Order confirming the reduction of capital of the Company which forms part of the said Scheme of Arrangement.

In said Petition, by Interlocutor dated 14th June 1989, the Court of Session has ordered a Meeting of the holders of the ordinary shares of 25p each of the Company to be convened for the purpose of considering and, if thought fit, approving, with or without modification, the said Scheme of Arrangement and has authorised the directors of the Company to fix the day, hour and place of the said Meeting.

As authorised by the said Interlocutor the directors have fixed the day, hour and place of the said Meeting and NOTICE is HEREBY given that the said Meeting of the holders of the ordinary shares of 25p each of the Company will be held at 7 West Nile Street, Glasgow on Monday 10th July, 1989, at 10 a.m. or so soon thereafter as the Extraordinary General Meeting of Murray Electronics PLC convened for the same time on the same day shall have been concluded or adjourned, at which place and time all holders of the said ordinary of the shares of the company are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the document containing the Explanatory Statement explaining the effect of the said Scheme required by Section 426 of the Companies Act 1985 may be obtained by the said Ordinary Shareholders upon application to the offices of McGrigor Donald Solicitors at Pacific House, 70 Wellington Street, Glasgow G2 6SB or at 2-8 Mason Avenue, London EC2 5BT and may be seen at these offices during usual office hours.

A Shareholder entitled to attend and vote at the said Meeting may vote in person thereat or may appoint another person or persons, who need not be a Shareholder, as his proxy, to attend and vote in his stead.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company.

Shareholders are requested to lodge forms appointing proxies as soon as practicable with the Company's Registrar, Clydesdale Bank PLC, Stock Exchange Services Department, The Guild Hall, 57 Queen Street, Glasgow, G1 3EA, and in any event not later than 48 hours before the time fixed for the Meeting but if forms of proxy are not so lodged they may be handed to the Chairman at the Meeting.

The Court has authorised the Chairman of the Company, or failing him, any other Director of the Company, to be Chairman of the Meeting and directed such Chairman to report the result thereof to the Court. The said Scheme of Arrangement will be subject to the approval of the Court.

McGRIGOR DONALD,
60 Albany Street,
Edinburgh
Solicitors for the Company

16th June, 1989

No. 002059 of 1989 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF SUN ALLIANCE AND LONDON INSURANCE plc - and - IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 22nd day of May 1989 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a Scheme of Arrangement and (b) the confirmation of the reduction of the capital of the above-named Company in accordance with the provisions of the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice, Strand, London WC2 on Monday the 26th day of June 1989.

Any creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned on payment of the regulated charge for the same.

DATED this 16th day of June 1989.

Ashurst Morris Crisp
Broadgate House
7 Eldon Street
LONDON EC2M 7HD
Ref EAG/AMN
Solicitors for the above named Company.

THE PROPERTY MARKET

Paul Cheeseright on Regalian's efforts to diversify into commercial development

A worthwhile, satisfying mix

The veterans do not forget the 1970s property crash. It is at the back of David Goldstone's mind and is at least partly behind the push of Regalian, of which Mr Gladstone is chairman, into office property development.

Mr Goldstone has been in the property business since the 1950s. Regalian came to the market in 1972 as a residential specialist and that is what it has remained. But the company which won the plaudits of the stock market in 1986-87 made losses between 1974 and 1978 and did not pay any dividends between 1974 and 1982.

So Mr Goldstone knows what it is like trying to stay afloat. It was natural that he should regard a surging house market with a degree of caution. "I was asking when the residential boom will end. The relationship between wages and disposable income meant it couldn't continue but I was always being proved wrong," *he said. Until last year that is.*

This proved to be the sign that Regalian should be doing something else as well. In February 1987, Regalian bought the Bankside site by Southwark Bridge on the south side of the Thames – a mixed housing and office site. The opportunity for diversification fell into Regalian's lap.

The group started down a path others have trod. Trafalgar House put most of the emphasis in its property development on residential during the early 1980s before swinging back to commercial in the second half of the decade. Another, Countryside Properties, has been adding a commercial arm to its residential business.

But after the purchase of Bankside, home for two office buildings each of about 150,000 square feet, Regalian consciously followed a policy of diversification. Vauxhall Cross, further west on the south bank, became a development project for 450,000 square feet of offices. A joint venture with Olympia & York at Heron Quays in London Docklands has an office element of 500,000 square feet. Another with NFC and Higgs & Hill at Bishopsbridge, Paddington, in west London, has an office content of 385,000 square feet.

Here then is a substantial commercial property development programme which inevitably has meant changes inside Regalian. There are similarities between residential and commercial development. In both cases, Mr Goldstone said: "You have to identify the profile of the purchaser or tenant and know their expectations, then seek not only to meet those expectations but to offer something more."

But commercial property cashflow can be much lumpier than residential. There might be 100 buyers for 100,000 square feet of residential space but only one or two tenants for 100,000 square feet of office space. A few large commercial projects need different management techniques than a bigger number of smaller residential ventures.

In any case, more people had to be hired at Regalian. Two years ago it had 50 people. Now the number has doubled with a hard core of about 35 middle and senior management. Hiring professionals was in fact easier for commercial developments than it would have been for residential. "It is easier to find professionals in various disciplines with experience of the high technology requirements of modern commercial buildings. In the UK there has been extensive office building in the post-war period and its been at the forefront for the last 10 years. But on the residential side the only people with significant projects were the local authorities," said Mr Goldstone.

Like most other property companies Regalian buys in professional services – architects, quantity surveyors and so on – when they are needed. But these professionals are not given the free hand they used to have in the 1960s, Mr Goldstone recalled. "Now there is a much more hands-on approach. You give a lead to the professional team, so you need in the company people of the disciplines you're employing outside."

Regalian executives are split into teams which are in charge of one or a number of projects. The teams report to a development director, who reports to managing director of the Group's operating subsidiaries, who reports to Mr Goldstone. But that chain of command is not as bureaucratic as it looks. The numbers are small and people talk to each other "so that financial control is immediate."

In financial terms, residential and commercial can be a good mix. The residential side, unless the bottom really does fall out of the market, provides a cashflow, which can be funnelled into the larger commercial projects. The more that Regalian can be put into the projects from its own resources, the larger the chunk of investment or profit it can retain at the end of the day. What it seeks to do is to avoid the sort of institutional funding which at the end of the day creams off the better part of the development profits.

"Our role is to create profitability with a view to overriding the peaks and troughs in both the residential and commercial markets. But it is also to use the generation of development profits to enable us to retain investments," Mr Goldstone said.

This is an orthodox approach but is different from that at one stage adopted by, say, Heron, which used petrol station cashflow for the same purpose, or Ladbroke, which used betting shops. "Everything becomes a means of creating cashflow to build up net assets," added Mr Goldstone.

There is in this at least half an eye on the Stock Exchange. Before the crash of 1987, the stock market happily accepted property hybrids – companies which were reporting growing earnings while at the same time slowly expanding an asset base. It is now keener on the asset-rich property companies.

Even seen in terms of earnings as opposed to asset companies, groups like Regalian are poorly rated. Its price-earnings ratio has been 7.5, London & Edinburgh Trust 7.7 and London & Metropolitan 9.5. The list goes on.

Thus far, Regalian's commercial ventures have not left it financially exposed. At Bankside, one building has been sold outright to Pearson for the Financial Times and another has been pre-let to Lloyds Bank. At Vauxhall Cross, the building is being bought in advance by the Property Services Agency and the payment for that will flow over the construction period.

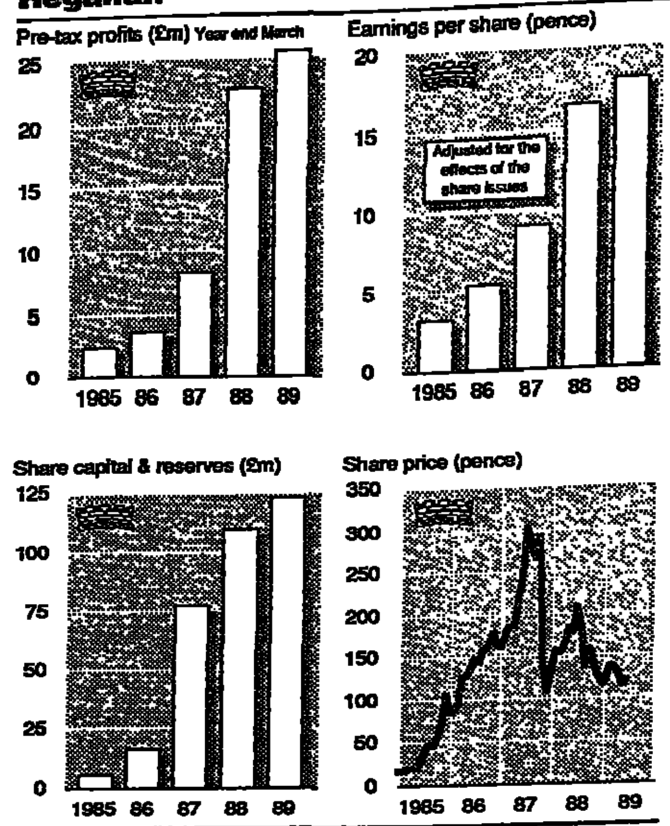
While residential property revenue, once enough projects are in motion, can flow relatively evenly, commercial property revenue can be much more erratic unless carefully controlled. Great lumps of revenue, even apart from the difficulties of financial management, are inefficient in tax terms. But in the sales that Regalian has made this has largely been avoided. Pearson's payments are spread over three years and the Property Services Agency's run through the construction period.

Regalian has not then been operating at great risk, but there is evidence that the market is beginning to change as more and more offices are built in and around London. So there is a more speculative element in the Heron Quays and Bishopsbridge ventures. This is why it is following the well-proven route of joint ventures.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to Apr 89	17.6	25.3	24.9	22.0
Monthly rate – Apr 89	0.9	1.0	1.5	1.0

Source: Investment Property Databank



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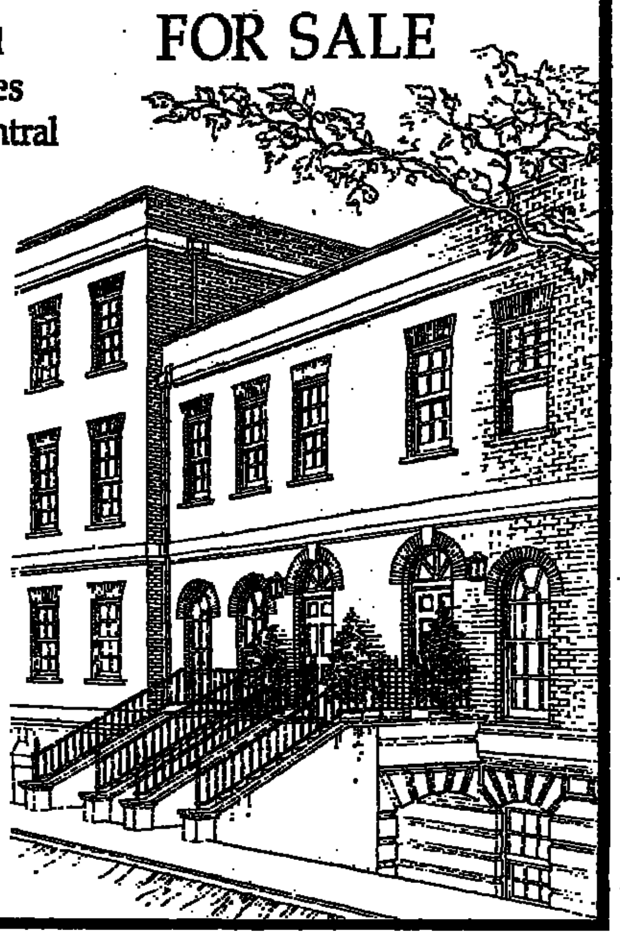

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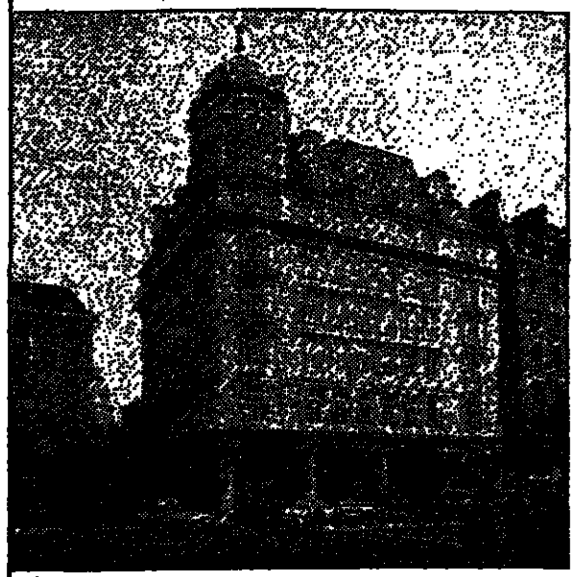

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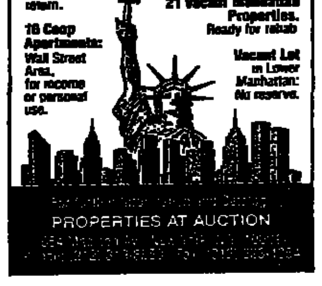

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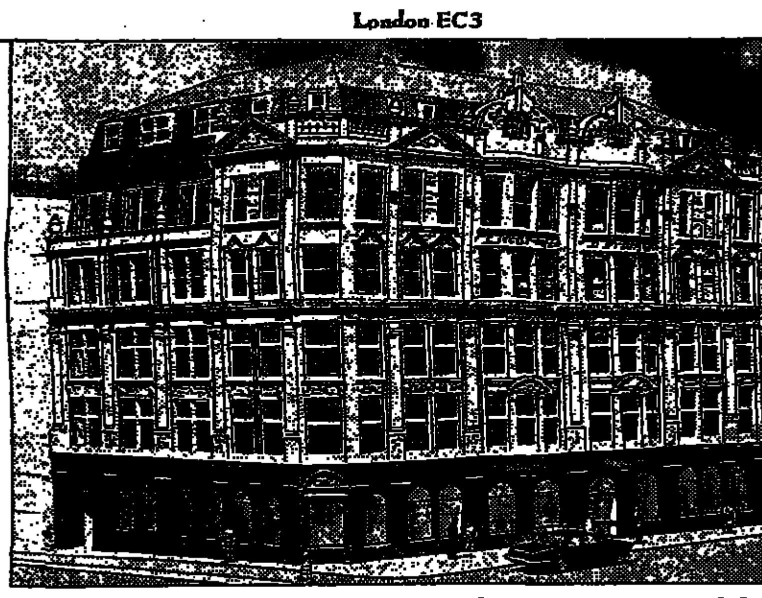

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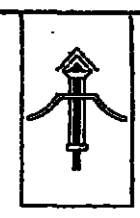

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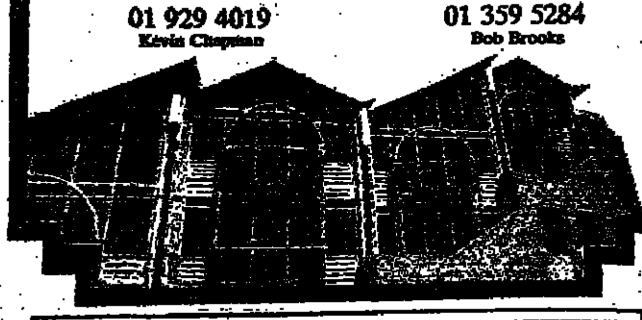

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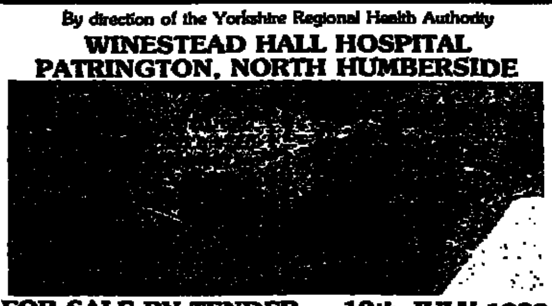

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ARTS

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F	Sa	Su	M	Tu	W	Th
16	17	18	19	20	21	22

OPERA AND BALLET

London

Royal Opera, Covent Garden. *Der Rosenkavalier* returns with Felicity Lott, Ann Murray, Lillian Watson and Kurt Moll in leading roles, and Jeffrey Tate as conductor.

Further performances of the Royal Opera's 1988-89 season prestige event: the new production of *Il trovatore* by Piero Faggioni, conducted by Bernard Haitink, with Placido Domingo in the title role, and Rosalind Plowright, Eva Randova, Sergey Leiferkus and Willard White completing the cast.

English National Opera, Coliseum. The final performance of the season is *The Mastersingers*, with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen.

English National Ballet (formerly the Festival Ballet) presents *Napoli* on June 15; *Coppélia* on June 16, 17; and a triple bill centred on the revival of MacMillan's heart-tearing one act *Anastasia* for the great Lynn Seymour on June 19 and 21, (different casting June 20), at The Dominion, Tottenham Court Road.

Royal Ballet, Covent Garden. Performance of *The Sleeping Beauty* on June 20. English National Ballet.

Sadler's Wells. Pilobolus Troupe ends a season on June 17.

Glyndebourne. *A Midsummer Night's Dream* with Michael Chance appears as Oberon (Fri, Tues). *Jenufa* conducted by Andrew Davis, with Anja Silja, Roberta Alexander performing in front of Lehnhoff's sets (Sat). *Orfeo ed Euridice* (Sun).

Scottish Opera in Newcastle. *Street Scene* (Fri). *La Traviata* with Nancy Gustafon, in Nuria Espert's production.

Weisse Rose, premiere of Udo Zimmermann's 1986 chamber orchestra, which includes Henze's ensemble pieces. The Place (Fri, Sat) (836 0008)

Welsh National Opera in *La Sonnambula* with Valeria Esposito conducted by Julian Smith (Tues, Fri).

Ariadne auf Naxos conducted by Charles Mackerras (Wed). *La Boheme* with Christine Bunning and Noel Velasco (Thurs), followed by a national tour (0703 229771)

Paris

Théâtre des Champs Elysées. Stuttgart ballet: *The Taming of the Shrew* with Marcia Haydee and Richard Cragun in John Cranko's choreography (47203637).

Théâtre de la Ville. Pina Bausch and the Wuppertal Tanztheater (42742277).

Palais des Congres. *The Queen of Spades.* Warsaw Opera's orchestra and choir conducted by Robert Satanowski.

Régine Crespin, Raisa Kotowa of the Bolshoi and Krystyna Szostek-Radkowa alternate in the role of the Countess. Porte Maillot (bookings 47581404, info 47581333). Ends Sat.

Grand Palais des Champs Elysées. Paris Opéra Ballet. *Don Quixotte* in Rudolf Nureyev's choreography after Marius Petipa, to Ludwig Minkus' music (45787500).

Brussels

Théâtre Royal de la Monnaie. *La Finta Giardiniera* by Mozart produced by Karl-Ernst and Ursel Hermann with Ugo Benelli, Joanna Kozlowska and Marek Torzewski.

The Monnaie orchestra is conducted by Sylvain Cambreling (Sun, Tues, Thurs).

Milan

Teatro Alla Scala. Riccardo Muti conducting Roberto de Simone's production of Gluck's *Orfeo ed Euridice*, with Lella Cuberli/Elzbieta Ardam, Bernadette Manca di Nissa/Lucia Mazzaria and Elizabeth Norberg-Schulz/Valeria Esposito (80.91.26).

Teatro Lirico. Isabel Seabra and Gheorghe Iancu dancing *Don Chisciotte*: choreography by Rudolf Nureyev and music by Ludwig Minkus (86.04.18).

Florence

Michale Hampe's production of Richard Strauss's *Der Rosenkavalier*, conducted by Zubin Mehta, with Anna Tomowa-Sintow, Kurt Rydl, Alan Titus, Cheryl Parrish and Delores Ziegler (2779236).

Venice

Teatro la Fenice. Pier Luigi Pizzi's production of Handel's *Rinaldo*, conducted by John Fisher, with Cecilia Gasdia, Marilyn Horne and Natalede Carolis (5210161).

Bonn

Opera. The successful Gian Carlo del Monaco production of the *Entführung aus dem Serail* returns with Sylvia Greenberg, Isolde Siebert, Hans Peter Blochwitz, Wilfried Gahmlich and Jaako Ryhaenen.

Ariadne auf Naxos stars William Murray, Gabriele Benackova, Syndia Sieden, Peter Lindroos and Susanne Mentzer.

Frankfurt

Opera. Last performance of the acclaimed *La Clemenza di Tito* production.

Cosi fan tutte in Graham Vick's production is sung by Margaret Marshall, Diana Montague, Michal Shamir, Christopher Robertson and Bruce E. Ford. Imre Pallo conducts.

Berlin

Opera: Theater des Westens. Guest performance from theNational Ballet de Marseille in Roland Petit's show *Java for Ever* with Zizi Jeanmaire and Eric Vu-An.

There are also two ballet premieres this week. One is danced to music by George Gershwin, *Who Cares?* choreographed by George Balanchine, the second from Kurt Weill, *Die sieben Todsünden*, with choreography by Mario Pistoni.

Cosi fan tutte is produced by Götz Friedrich.

Hamburg

Opera. Hamburg honours the famous choreographer Jose Limon with four of his ballets. *The Unsung/The Exiles/The Moor's Pavane/There is a Time. La Bohème* has a first rate cast led by Katja Ricciarelli, Gabriele Rossmanith, Michael Sylvester and Alessandro Corbelli.

Peer Gynt, specially composed for Hamburg by Alfred Schnittke has wonderful John Neumeier choreography. A guest performance by the Joffrey Ballet with choreography by Paul Taylor, Willian Forsythe and Gerald Arpino.

Cologne

Opera. *La Clemenza di Tito* has Josef Protschka, outstanding in the title role.

Lohengrin is well sung by William Johns, Mechtild Gessendorf, Eva Randova, Harald Stamm and Ekkehard Wlaschiha.

Stuttgart

Opera. *Der fliegende Holländer* will have its premiere this week, produced by Adolf Dresen with a star cast led by Bernd Weikl, Matthias Hoelle, Grace Hoffman, Nancy Johnson and Toni Kraemer. *La Cenerentola* is revived with Kathleen Kuhlmann, brilliant in the title role. Also offered *Fidelio* and the rarely played *Der Karottenkönig*.

New York

Metropolitan Opera. Free outdoor performances begin with Thomas Fulton conducting *Il Trovatore* on the Great Lawn in Central Park with Susan Dunn as Leonora, Stefania Toczyska as Azucena and Sherrill Milnes as Count di Luna.

American Ballet Theatre. The week features Mikhail Baryshnikov's staging of *Swan Lake*. Season ends July 1. Lincoln Center Opera House (362 6000).

New York City Ballet. The week's mixed programmes include *Beethoven Romance, Danses Concertantes* and *Ballade*. Ends June 25. Lincoln Center New York State Theatre (877 4700).

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).

Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660).

As You Like It (Old Vic). Yet more non-RSC Shakespeare, with an outstanding Rosalind from Fiona Shaw in eclectic, enjoyable Tim Albery revival. Ambitious designs (928 7616, cc 261 1821).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged by Jeremy Sams. June 8-14, 23-28, July 7-10 (928 2252).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. (839 5972).

Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. (730 1745).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Gray character (836 2660).

Hamburg

The World's Theatre. The international festival from June 16 to July 9 will take place in Hamburg, as part of the town's 800th anniversary of its harbour. Organised by the Thalia Theatre with the help of the Internationalf Theatre Institut, some 34 pieces from 17 countries will be performed, among them East Germany, the Soviet Union, Sweden, South Africa, France, the USA, Britain, Germany and Italy. The idea for the festival came from former theatre director Ivan Nagel, who formed the Theatre of Nations in 1979. Richard von Weizsäcker, West German President, is chairman.

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Into the Woods (Kennedy Center Opera House). Stephen Sondheim and James Lapine update favourite fairy tales with a contemporary plot and characteristically challenging songs. Ends July 16 (254 3770).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescenzo as Pseudolus in Burt Shevelove and Larry Gelbart's adaptation of Plautus. Ends Aug 6.

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Les Miserables (Auditorium). The international spectacle has settled in for a long stay by the Great Lakes (922 2110).

Tokyo

Kabuki (National Theatre). Kanadehon Chushingura. The most popular play in the kabuki repertoire, based on the true story of the 47 loyal samurai, is performed in two self-contained parts at 11am and 2.30pm. Ends June 24 (265 7411).

Les Miserables. (Imperial Theatre) Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. Opens Tuesday (201 7777).

The Phantom of the Opera. Nissei Theatre (045 503 5701). This excellent production (in Japanese) is a carbon copy of the London original.

Blues in the Night. Theatre Apple, Shinjuku. (357 5444). Musical revue from off-Broadway, featuring black music of the 1930s and 1930s. In English.

Jesus Christ Superstar. Japonesque. Aoyama Theatre (0120 499444). Revival of successful Kabuki-style production

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam – retrospective shows side by side of two senior British artists: both shows until July 19; McWilliam sponsored by Ulster TV.

The Whitechapel Gallery. Sean Scully – a selection from the work of the past six years of a painter, Irish born, British educated and now naturalised American. until June 25, then on to Munich and Madrid.

The Barbican Gallery. 100 years of Russian Art – a curious exhibition drawn from private collections in Russia, itself something of a surprise. Until July 9.

The Hayward Gallery. Art in Latin America – a rich and fascinating survey of the painting and sculpture that has come out of Central and South America since the early 19th century, which is roughly the period of the achievement of independence from the Spanish and Portuguese colonial empires. Daily until August 6.

The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful record of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrupt emergence as a European power. Daily until June 18; sponsored by Gamlestaden.

The Royal Academy. The 221st Summer Exhibition of the Royal Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Daily until August 20.

Paris

Carte Musées et Monuments sold in museums and Metro stations enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Closed Tue. Late opening night Wed. Ends June 26 (42895410).

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.

The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. Closed Tue, ends July 31.

Galerie Schmit. French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. 396, rue Saint-Honoré (42603636), closed lunchtimes and Sundays, ends July 19.

Daniel Malingue Gallery. A resolutely modern exhibition with works by Max Ernst, Miro, a suite of Fernand Leger's abstract watercolours and gouaches, Nicholas de Stael's red and blue shining landscape and an orange-coloured sunset. There is an early Picasso still life of apples and pears reminiscent of Cezanne. 26, Ave Matignon (42666033) closed lunchtimes, Sun and Mon mornings. Ends July 8.

Centre Georges Pompidou and La Grande Halle de la Villette. A mammoth exhibition – Les Magiciens de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Centre Georges Pompidou (42771233) and Grande Halle de la Villette, 211 Ave Jean-Jaures, Metro Porte-de-Pantin (42497722). Both exhibitions closed Tue and end August 14.

Galerie Odermatt-Cazeau. Masters of the 19th and 20th century. A large Bonnard – La Place de Clichy – catches the bustle of a Parisian street. But while the brush stroke is impressionistic, the gentle melancholy tonality of blue-greys is personal to Bonnard. Changing the mood abruptly is the exhibition's *succes à scandal* – Chagall filling up space with themes of Jewish mystique around a signature of Hitler and spine-chilling symbols of Nazi domination. 85 bis Rue du Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.

Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of flowers and fruit typical of Flemish still lives, a painting totally different in spirit is the central piece of the exhibition. Painted in 1530 by Bartholomew Bruyn the elder, the work exemplifies the artist's gift for portraying the sitter's inner self. 267, Rue Saint-Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends July 13.

Amsterdam

Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Galerie Tzwern. Aisinber. The Circle of Twenty (1884-1893). The Avant-Garde movement in Belgium. 36 Rue aux laines, The Petit Sablon. Closed Mon.

Musée d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon.

Bibliotheque Royale Albert 1. An exhibit to celebrate the library's 150th anniversary. Open daily ends July 15.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour.

Baden-Baden

Kunsthalle, Lichtenthaler Allee 8a. A retrospective of Jean Cocteau (1889-1963) to commemorate the 100th anniversary of Jean Cocteau's birth, the Kunsthalle in Baden-Baden presents the most extensive show of his work ever with around 500 exhibits. Ends July 30.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". This exhibition is in contrast to avant garde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermos, Carl Andres, Edvard Munch, Markus Luepertz, photographers Bernd and Hilla Becher, Joseph Beuys and Dadaist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works from William Copley's collection by Duchamp, Man Ray, Max Ernst. Ends July 2.

Bremen

The Kremlin Gold. The exhibition, jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum, will coincide with Mr Gorbachev's first visit to Germany this week. This presentation of around 80 pieces of Russian goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the goldsmith's art such as filigree and enamel work in the 15th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Uebersee Museum, Bahnhofsplatz 13. Ends August 13.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.

The Kunstforum, a new art gallery sponsored by the state-run Leanderbank, makes its debut with the Leopold collection, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next to nothing in the 1950s. There are some wonderful Klimt sketches and Kokoschkas. Well worth catching. Ends June.

Albertina. Try not to become annoyed with the depressing layout, the appalling lighting and the uninterested staff when seeing a wonderful collection of watercolours and drawings by Austrian artists. Included are works by George Eisler and Alfred Hrdlicka. Ends July 16.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism, until Oct 2.

Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carinaval masques and later burnt, portraits of contemporary composers such as Cimarosa and Paisello, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends July 16.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes,Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.

Metropolitan Museum of Art. Goya and the Spirit of Enlightenment explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.

Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends Aug 13.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Art Institute. Two years after his death, Andy Warhol continues to make news with his new diary; even his work retains surprising freshness amid the variety that extends far beyond familiar images like his Marilyn Monroe and Campbell Soup tins. Ends Aug 13.

Tokyo

Suntory Museum. Wall paintings and screens from castles and temples of the Momoyama Period (16th century). The works are of two main types: sumie landscape paintings and colourful paintings on a goldleaf background, both displaying a bold mixture of Chinese and Japanese styles. Closed Mondays.

National Museum of Modern Art, Takebashi. Tatsuo Takayama retrospective. Although his early works show the influence of Gauguin, Takayama (born 1912), is noted as one of the few Japanese painters who have managed to achieve harmony between Japan's artistic traditions and the present. Closed Mondays.

Azabu Museum of Applied Arts. The inaugural exhibition at this brand-new museum in the fashionable Roppongi district features the fashions of the Edo period, as reflected in ukiyoe paintings: mainly of courtesans and other denizens of the "floating world". Closed Mondays.

Julie Walters and Brian Cox

Alastair Muir

Frankie & Johnny in the Clair de Lune

COMEDY THEATRE

Frankie & Johnny in the Clair de Lune by Terrence McNally starts with sounds of orgasm in a black-out, followed by laughter and a dissertation on *breaking wind*. "*Can I get you* something?" asks the beefy nude figure, Brian Cox, of his less beefy nude partner, Julie Walters. "My mother!" she wails. The play ran 18 months off-Broadway and has already become an internationally produced two-hander.

In Cox and Walters it runs into two of our finest exponents of comic realism. There is not a single moment of Paul Benedict's production that is not entirely and physically convincing. The play is neatly organised, touching, sentimental and small; but with these two blazing performances it transcends all limitations.

The situation is one of first night in the sack for a waitress, Frankie, and the short order cook, Johnny. Through the small hours they ball and banter while a classical radio station burbles in the background. They are in Frankie's grimy New York apartment in a walk-up tenement. Across the way, couples in moonlit silhouette either beat each other up or remain sullenly incom*municado*.

Johnny lays siege as a last ditch throw for happiness. A part-time Shakespearian, he litters his speech with hoary Bardisms while claiming Fate as the catalyst. The fencing gives way to facts in Act 2. Johnny has been two years in the clink for forgery and his ex-wife has married an insurance salesman in Maine.

Cox's blubbery, importunate loser has taken a stand about his life. For him, the encounter is momentous. The play is about why it becomes, for her, less of a nuisance. He wants the affair to cure his loneliness. At the first sign of tactical wrong moves – mention of kids, marriage – Walters blows him apart. The subsequent adjustments and confessions make for a riveting spectacle.

A pause in the rutting results in a food order. Frankie demands the cook's speciality, a Western Sandwich. Cox, still stripped to the waist, kitchen towel plastered round his head, embarks like a Samurai war*rior on his complicated mission* of chopping peppers and onions, breaking eggs. The sandwich is never completed, a great minus in the proceedings, I feel.

Johnny breaks into the radio programme and requests beautiful music. The colloquy of Frankie and Johnny, no longer merely figments of a jazz singer's imagination, is endorsed by an ethereal authority.

The other overriding poignancy of the evening resides in the sight of two underdogs engaged in a watershed struggle with evaporating youth. And I shall long treasure the sight of Walters, her face stained with tears, re-living for the last time, as she reveals the scars, a finally exorcised chapter of cruel brutality.

Michael Coveney

Robert Cohen

WIGMORE HALL

Apologies were necessary after the interval in this recital, not because of any shortcomings on the part of the performers – Robert Cohen, the cellist, and Peter Donohoe had given a full account of their abilities – but to explain why the pianist had failed to appear for a Walton piece written "for cello and piano."

While the programme had promised us an arrangement of part of the *Henry V* film score, what we had actually heard was a minor commission for cello alone dating from the composer's final years. (Too late apparently to qualify for Grove's, which may explain the confusion in the programme notes.) Still, with the piano temporarily absent, a spotlight had usefully been thrown on the fullness of tone and character that Cohen presents as a solo performer.

In the generous acoustics of the Wigmore Hall the range of dynamics at which a cellist can be effective is very wide and, by selecting a concert pianist of Donohoe's stature as his accompanist, it seemed Cohen was announcing from the outset the scale on which this recital would be played: performances were one size larger and more strongly contrasted than the usual.

In Britten's Cello Sonata, in particular, this was all to the good. Britten wrote into this work instrumental parts designed to stretch each member of the duo (originally himself and Rostropovich) and the partnership of Cohen and Donohoe operated on the right level of give-and-take, answering each other sharply in the brisk repartee of the Scherzo and not letting either overplay the emotion of the central Elegy.

The eloquent legato line that Cohen drew there was also heard to fine effect in the Cello Sonata by Rakhmaninov. Perhaps Donohoe did at last rise too strongly to the bait in the final stages here, but the cellist generally managed to hold his own. The depth of tone that he found for the second subject of the Finale, so rich in colour, so evenly sustained, was the single most memorable musical accomplishment of the evening.

Richard Fairman

"Farewell to Hot Metal"

This is the appropriate title of an exhibition devoted to photographs by Richard Cowper of the last days of hot metal printing at the Financial Times before the change to computerised typesetting in 1987.

Sponsored by the FT, the exhibition is at the Visitor's Gallery, Lloyd's of London, until June 23.

A ritual world of birds and dragons

Susan Moore views Chinese bronzes at Eskanazi and lacquer at Bluett & Sons

Rarely has there been a better time to look at Chinese art in London. Eskenazi is presenting outstanding bronzes, weapons, mirrors and ceramics, plus Korean ceramics, from the collections of Franco Vannotti and Hans Popper; Bluett & Sons has assembled what the firm believes to be the finest group of lacquer ever offered for sale in the West; and the British Museum is airing its collection of archaic ritual bronzes, one of the finest outside the People's Republic;

Last year, Dr Vannotti sold his renowned collection of Ming and Qing painting to Berlin; the bronzes, also well-known, and amassed earlier, between 1946 and 1953, were secured by Eskenazi. The group is small – as are the majority of the pieces – well documented, and choice.

The elegant Shang "jue" or wine vessel represents the earliest type of ritual bronze vessel (this one is 12th century BC). Scrolling animal forms seem to dissolve and rearrange themselves across the body and spout. The much later "hu" wine vessel (Eastern Zhou period, 5th century BC) is the most famous example of its type. Bands of cinnabar-coloured birds and confronting dragons, inlaid in copper or paste, loop around its bulbous body. The bronze is patinated green, and mottling encrustations of malachite and azurite add to its appeal.

Surface texture and colour, whether intended by the craftsman or the result of 3,000 years' burial, is a prized feature of archaic bronzes. The smooth, pale green "water-patina" so beloved by collectors is seen at its most subtle on Popper's Shang Period "fang yi." Its complex cast decoration of dragons and animal masks against a geometric ground is of remarkable precision given the shallowness of the relief.

An ornate "zhi", decorated with birds and animal masks with beady, protruding eyes, is encrusted with vivid turquoise malachite and cuprite. The blade of a Shang axe is as smooth and warm as polished stone. A green spearhead is etched (who knows how, perhaps with acidic plum juice?) and stained with a silver lozenge pattern. It is tempting to see the dagger axe with a tiger skin pattern alluding to the courage of its owner.

A 5th century BC "hu," or wine vessel, at Eskenazi

If the earlier ritual vessels are a triumph of bronze age casting, the later decoration of mirrors reaches new heights of sophistication, exuberance and luxury. Mirrors began to be placed – and indeed often to replace – ritual vessels in important tombs after 400 BC, and this group offers a good survey of their development over 12 centuries. The philosopher Zhuangzi informs us: "The ancients believed that one's shortcomings could be seen in one's appearance, hence they inspected their faces in mirrors."

One shiny black and circular bronze mirror is decorated in raised line technique with a sequence of four bears reaching out to grasp the curled tail of the beast in front – a masterly repeating pattern. By the Tang period, raised repoussé relief had grown into sculpture, and precious metals often employed. The most luxuriant gold mirror back here rejoices in parrots heavily bedecked in pearls, bows and ornaments bearing branches and bunches of grapes in their beaks – a glorious evocation of the notorious decadence of the Tang court. Only one other comparable mirror is known.

Other highlights of the show include a Tang silver gilt bowl from a Japanese collection. Almost Islamic in feel, it is decorated with large repoussé lotus petals against a chased ground of birds, plants and animals. A Song stoneware bowl is carefully carved to articulate its chrysanthemum pattern through various depths of olive green glaze. The Korean celadon ware, hardly ever seen on the market in the West, enjoys a quite different luminous bloom.

★

Recent archaeological excavations in China have enabled more specific dating of both bronzes and lacquer. Bluett's impressive show brings together some 32 pieces of lacquer from the 13th to the 16th centuries, with the emphasis firmly on early carved, gilt-etched and mother-of-pearl examples. Regina Krahl's excellent catalogue brings to light recent research, and argues earlier dates for a number of pieces. Her illustrated table of every datable fragment of lacquer recorded is an invaluable addendum.

The Eskenazi show continues at Foxglove House, 166 Piccadilly, W1, until July 7; Chinese lacquer at Bluett's, 48 Davies Street, W1, until June 24. Chinese Bronzes at the British Museum, to be reviewed on this page, continues until October 29.

Die weisse Rose

THE PLACE

Udo Zimmermann's one-act *chamber opera has accumulated* more than 70 productions across Europe and North America since its premiere in East Germany in 1986. One of the final events in this year's London International Opera Festival was the first British performance of *Die weisse Rose*, staged at The Place by Mecklenburgh Opera.

The appeal of the opera to audiences and to small-scale opera companies is easy to appreciate: only two singers and an ensemble of 14 instrumentalists are required, and the subject matter is unfailingly emotive. Die weisse Rose was an anti-Nazi student organisation formed in Munich in 1942, which circulated leaflets against the regime; the following year three of the leaders were arrested, summarily tried and guillotined.

The opera relates the final hours in the death cells of two of them – the brother and sister Hans and Sophie Scholl. Wolfgang Willaschek's text draws upon the Scholls' own writings and quotations from Dietrich Bonhoeffer and others to build up a sequence of short scenes in which their final thoughts, recollections of their childhood, prayers and aspirations are woven together.

The power of this material, its continuing relevance, is both the strength and signal weakness of *Die Weisse Rose*. One cannot fail to be moved deeply by the events portrayed, and it would require crassly insensitive musical treatment to destroy that emotional power. But prior knowledge of that background is crucial; the opera offers no epiphany, only a commentary, and without the context most of the resonance would be lost.

Zimmermann's music is largely subsidiary – effective, carefully laid out, each scene crisply characterised and vocally grateful, but only sporadically striking. An aching waltz suffuses the moment when the siblings recall the sight of children being carried away from their parents, Sophie's memory of her capture is set to a remorseless *moto perpetuo*, their vision of death is accompanied by a grinding Weill-like chorale. In a score of an hour's duration it is not quite enough.

An opera that is all recollection and aspiration is hard to stage; John Abulafia's production for Mecklenburgh is varied and only rarely intrusive, as if recognising that the power is in the words and sometimes the music, and that those should be allowed unhindered presentation.

Paul Charles Clarke and Maureen Braithwaite sing the parts of Hans and Sophie, with a clarity and directness that allow Stephen Wadsworth's English translation to be easily perceived. The performance is preceded by Henze's instrumental fugue *In Memoriam: Die weisse Rose* conducted, like the opera itself, with pungency by Anne Manson.

Andrew Clements

Gubaydulina

ALMEIDA FESTIVAL

Sofia Gubaydulina, a Russian composer of middle age (b.1931) whose reputation in the West grows increasingly great, was present at Wednesday's enthralling Almeida Festival recital of her three string quartets and single string trio. This concert, given by the Arditti Quartet, will undoubtedly count as one of the highlights of the 1989 schedule; for though various aspects of Gubaydulina's singular, independent, and absolutely distinctive compositional personality have already been demonstrated in previous festivals, this was surely her most concentrated, most revealing display so far.

In her hands the sound-qualities of the string-quartet medium itself become her "material for discussion." Fine distinctions or contrasts of instrumental texture or attack between the players can supply the basic premises. In the first quartet (1971), a more obviously experimental, "private" work than its successors, the exploration of aggressively non-lyrical sounds by each of the players leads inexorably toward complete collapse of the quartet discourse; the players gradually move away from each other, physically as well as musically, so that by the close they are flung out at the furthest corners of the performing space – a very striking (if perhaps not very durable) image of the chamber-music ideal turned on its head.

In the remaining two quartets, written in close succession 15 years later, Gubaydulina plays with a much finer and purer musical focus on the possibilities of the medium. The second quartet expands in slow steps out of a handful of notes and the diverse shades and nuances that can be wrung from them when bowed, plucked, or played in harmonics; in the third quartet, the corporate move from pizzicato to full bowing provides a dramatic scenario which the composer plans and phases with the most minute and rigorous attention to detail.

Gubaydulina's arguments are not worked out in terms of Classical development, yet their inherent logic takes the *listener with them every step* of the way – her ability to write for each of the four string instruments with formidable and brilliant command of their timbral and colour ranges, combinations, and contrasts is of the essence here. In the most recent of these works, the string trio (1988), the hints of an emotional subtext to the musical construction are at their strongest: the final harmonizing of three string voices previously fierce in insisting on their separate identities leaves an impression of extraordinary power.

The Arditti played all four works without a break and *with all their wonted flair and* commitment; it was sauna-hot in the theatre, but neither their grip on the music nor that of an obviously spellbound audience seemed to flag for an instant.

Max Loppert

ARTS GUIDE June 16-22

MUSIC

London

Cleveland Orchestra conducted by Christoph von Dohnanyi, performing Bach, Schoenberg and Schubert. Royal Festival Hall (588 1116) (Fri, Sat)

London Concert Orchestra conducted by James Blair, Yitkin Seow, piano, playing Offenbach, Mascagni, Tchaikovsky and Strauss. Barbican (588 1116) (Sat).

English Chamber Orchestra. The Jacqueline du Pré Appeal Concert conducted by Daniel Barenboim and Sir George Solti, performing Mozart. Royal Festival Hall (921 0800) (Sun)

London Symphony Orchestra conducted by Bryden Thomson, performing Mozart and Vaughan Williams. Barbican (588 1116) (Sun)

Royal Philharmonic Orchestra conducted by André Previn, performing Beethoven. Royal Festival Hall (921 0800) (Sun, Tues, Thurs)

London Symphony Orchestra conducted by Kent Nagano performing the Messiaen Turangalila Symphony. Barbican Centre (588 1116) (Thur)

Paris

Alicia de Larrocha, piano, playing Schubert and Granados. (Mon) Théâtre des Champs Elysées (47203637).

Alfred Brendel, piano, playing Haydn, Brahms, Weber, Mendelssohn, Beethoven. (Mon) Salle Pleyel (45638873).

Ensemble Intercontemporain conducted by Arturo Tamayo. Luis de Pablo (Mon), Falla, Cristobal Halffter, Jose Luis Delas, Enrique Raxach (Tue). Both concerts at Théâtre Renaud-Barrault (42560880).

Amsterdam Concertgebouw conducted by Nikolaus Harnoncourt, performing Schubert, Berio, Beethoven (Tue). Théâtre des Champs Elysées (47203637).

Ensemble Orchestral de Paris. Françoise Pollet (soprano), Jean Hubeau (piano), Nouveau Quatuor Viotti playing Schoenberg, Debussy, Fauré (Tue). Salle Gaveau (45632030)

Brussels

Olaf Bär, baritone, accompanied by Geoffrey Parsons, piano. Théâtre Royal de la Monnaie (Fri).

Milan

Teatro Alla Scala. Lorin Maazel conducting Verdi and Respighi (Sun) (80.91.26).

Florence

Teatro Comunale. Zubin Mehta conducting Mendelssohn, Beethoven and Schumann (Thur) (277936).

Tokyo

Philharmonia Quartet, Berlin, with Karl Leister (clarinet), playing Haydn, Brahms, Beethoven. Shinjuku Bunka Centre. (Mon) (498 5890)

The Wallace Collection. Britten, Handel, Elgar. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Tues) (403 8011)

Japan Philharmonic Orchestra conducted by Sir Charles Groves. Brahms. Suntory Hall. (Tues) (234 5911)

Malcolm Bilson (fortepiano). Suntory Hall, Recital Hall (Thur) (470 2727)

SALEROOM

Leonardos to be sold

London is awash with the richest dealers and collectors in the world, attracted by the antique fairs at Grosvenor House and Olympia. Some of them are obviously spending their money in the salerooms, and both Christie's and Sotheby's had very successful auctions yesterday.

Sotheby's sold musical instruments in the morning session for £1.375m, with a modest 7.34 per cent unsold. Among the highlights were a record price for a 20th century musical instrument, £57,200 for an Italian violincello made by Enrico Rocca in Genoa in 1908, and the £82,500 paid for a cello which was sold by Julian Lloyd-Webber: it was made in Pavia in 1791 by Giuseppe Guadagnini. The top price in the auction was the £253,000, within forecast, for a violin of Joseph Guarneri, made in Cremona in 1738 and bought by the dealer Peter Biddulph.

Christie's final session of Japanese works of art brought in £1,668,821, with just 1 per cent unsold, making a record three session total for Japanese works of art in London of £3.28m. In the past the Japanese were more interested in western and Chinese works of art than their own antiques but that seems to be changing.

There were many Japanese dealers in the rooms, one of whom paid £264,000, as against a top estimate of £90,000, for a complete 50 volume edition of "The annals of the rise and decline of of the Minamoto and Taira clans", one of the longest medieval Japanese war chronicles in a version dated to around 1700. It was sold by the University of Bath, who received it from the Japanese scholar Frederick Dickins.

A Sharaku print of the actor Arashi Ryuzo, which carried a top estimate of £80,000, went for £220,000, and the three volumes of "The Conquest of Korea by Empress Jungu" by Hiroyuki, dated to the late 18th century, made £198,000 (top estimate £15,000).

★

Two drapery studies by Leonardo da Vinci, probably the last Leonardo drawings likely to appear on the market, are being offered for sale by Sotheby's in Monaco on December 1. The studies are on linen, in grey brown wash heightened with white body colour and are expected to fetch around £3m each. They come from the collection of the Comtesse de Béhague and are being sold by her heirs. From the same collection a Guardi view of Venice of the late 1760s, considered the best to reach the market in years, carries a top estimate of £6m.

Antony Thorncroft

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Friday June 16 1989

Strikes and the law

ARE FURTHER legal reforms needed to ensure that industrial disputes are resolved in an orderly way? The disruption on the London Underground and in British Rail must raise doubts about the effectiveness of the legal framework put in place by the Thatcher Government.

This framework has two central planks. First, it confines lawful trade disputes within narrow limits to issues directly involving an employer and its employees. This has virtually eliminated so called political strikes and secondary action. Second, pre-strike ballots require unions to win the support of their members before calling a strike.

Yet the law does little to dissuade workers from staging unofficial strikes. Indeed the obstacles in the way of unions calling official action can create an incentive for wildcat strikes. Moreover, the courts' central role in disputes can generate uncertainty, without making it easier to resolve the underlying problem. Thus despite a month of legal manoeuvres it is still unclear whether or not there will be a dock strike; the two sides seem no nearer an agreement.

Any new moves to restrain unofficial strikes should be part of a broader review of possible legal changes, which could usefully borrow from arrangements in other countries.

Different regime

Should Britain follow France in adopting a different legal regime for the public services? Banning strikes in essential public services would be expensive and politically difficult. However, in France public service workers planning a strike have to give at least five days warning of their action. Unions are the only bodies able to give such a warning. So the legal requirement of a warning period makes unofficial action much less likely.

French law also prohibits action such as rolling 24-hour strikes which are deliberately designed to cause exceptional disruption. Unions calling action short of an indefinite strike do not have legal protection against claims for damages. UK unions, doubtful of their members' support for all out stoppages, are increasingly employing guerrilla tactics. Reforms along the lines of the French system would go some way to eliminating such behaviour.

In West Germany all unofficial action is unlawful, but it is easier for unions to call official strikes than in the UK. In Canada workers taking unofficial action lose the right to being considered for vacancies or reinstatement.

Stronger sanctions

One of the UK Government's aims is to deter strikes. But if it particularly wants to discourage unofficial action, it must apply stronger sanctions to wildcat strikes than to official strikes, to create an incentive for more orderly collective bargaining.

Even this may not be sufficient to produce more conciliatory industrial relations. The rail and tube strikes planned for next Wednesday, which will cause turmoil in London and other big cities, are official and follow a ballot. Once the obstacle of the courts is overcome, there is no further external constraint on industrial action. The courts may postpone or prevent strikes, but they do nothing to help settle the underlying disputes.

One option would be to give Acas, the conciliation service, a larger role, by allowing either side to a dispute unilaterally to refer it to conciliation. Companies may object that this would give a third party too great a role in the management of industrial relations. An alternative would be collective agreements which were legally binding on both parties, as they are in the US. This could all but eliminate industrial action of any kind while a pay deal was in place.

The UK legal framework is in a half-way stage; further modifications are needed to provide the right incentives for employers, unions and employees to conduct their arguments through agreed negotiating procedures. In essential public services, where special arrangements may well be necessary, employers and unions could be given a choice between legally enforceable collective agreements and a system of mandatory conciliation and arbitration.

Papandreou's wasted years

EIGHT YEARS ago Mr Andreas Papandreou and his Pan Hellenic Socialist Movement (Pasok) swept to power in Greece on a tide of hopes summed up in a single Greek word: *allaghi*, meaning "change." The event caused some anxiety in western capitals, because of Mr Papandreou's strongly left-wing stance while in opposition, especially his hostility to Nato and the European Community (which Greece had only just joined), and his strident anti-Turkish nationalism.

But among Greeks, especially of the younger generation, it aroused great enthusiasm. The outgoing conservative government seemed corrupt, uninspired and tinged with the suspicion of right-wing authoritarianism. By showing they could elect a left-wing government, Greeks felt they had really escaped from the dictatorship of 1967-74.

Less radical

Like other socialist leaders, Mr Papandreou proved considerably less radical in power than in opposition. In foreign policy he continued to irritate his western allies but was careful not to break off the alliance. Any notion of leaving the EC soon vanished from the agenda. In fact Greece, and especially Greek farmers, have done well out of EC membership (for which Mr Papandreou has rather unfairly taken the credit). In domestic policy there was little that could really be called socialist, and before long there were austerity programmes which led him into sharp conflict with the trade unions and the Communists.

In short what might reasonably have been expected of Pasok was that it would perform a role similar to that of "socialist" parties in other south European countries, where they have not abolished capitalism (as most of them at one time or other promised to do) but have played an important part in modernising and cleaning up the political and social system.

The Greek tragedy is that Pasok has not done this. It has done something to remedy the previous neglect of Greece's rural areas, and it has healed the 50-year-old wounds of the civil war by allowing the communist exiles to return. But in other respects its administration has been a disaster. Instead of modernising and clarifying politics, Mr Papandreou and his clique have resorted to all the old tricks: corruption, clientelism, blatant manipulation of the media. Principles and issues have counted for little or nothing. Debate within the party has been rigorously repressed, everything being reduced to a question of loyalty to the charismatic leader and every asker of awkward questions being immediately expelled.

Health problems

Mr Papandreou largely got away with all this until last year, helped by an opposition that remained unconvincing, and would probably have got away with his spectacular marital infidelity as well. He might well have turned his health problems to political account. But the revelation of the Bank of Crete scandal, resulting in the arrest of several Pasok officials, the resignation of two senior ministers and very serious allegations against the Prime Minister himself, has left the famous charisma badly tarnished. No one imagines that in this Sunday's election Pasok can repeat its triumphs of 1981 and 1985. It is virtually a foregone conclusion that the conservative opposition, even with its widely disliked and distrusted leader, Mr Constantine Mitsotakis, will emerge as the largest party.

Greece's allies and partners will be hoping that Mr Mitsotakis gets an overall majority and forms a government. But Mr Papandreou has made that very difficult for him by introducing an extreme form of proportional representation. It could be that Pasok will be in a position to remain in power if it does a deal with the Communists, who, however, have said they cannot co-operate with Pasok under its present leadership. Clearly there is a danger of a period of horse-trading and political paralysis, which might enable Mr Papandreou to cling to power. That would be of little benefit to anyone else, either in Greece or abroad.

Nikki Tait and Michael Skapinker on Saatchi & Saatchi's troubles

How the dream of dominance died

In Saatchi & Saatchi's 1987 annual report, the company sets out its strategy of becoming the world's dominant full-service management consulting practice. Management consultancy, it says, is "the provision of specialised services to enable the client to achieve a sustainable edge."

Today – just 12 months later – if any edge has proved unsustainable, it is Saatchi's. The consulting division is up for sale, the group's ambitions of being a global, one-stop services empire are punctured, and analysts reckon the company will struggle to make just half the £160m pre-tax profit once forecast for 1988/9.

The immediate financial reasons for this turnround in fortunes are painfully clear. As the group's first half figures demonstrated earlier this week, costs have grown much faster than revenues. Trading profits have dropped, as a proportion of revenues, to 6.6 per cent in the six months ending in March 1989, sharply down from 12.6 per cent a year before.

Attacking those costs is itself costing the company money. Since last year, the company has trimmed 500 jobs from its total of over 16,000; redundancy and reorganisation costs clipped almost £6m off profits in the six months to March 1989.

The deterioration in the business is showing up in the company's balance sheet. At the end of September 1988, Saatchi and Saatchi had a net cash balance of £56m; by now the company's net debts are put at £80m-£90m. In the six months to March, this has produced a £10m swing from earning interest to paying it out.

The company denies that the decision to move out of consulting is a fire-sale response to these numbers. The decision, says Mr Jeremy Sinclair, Saatchi's deputy chairman, is "a recognition that the company's ambitions for consulting will not be realised." Rather than teeter along as number ten in the industry, runs the thinking, with little hope of making further acquisitions to boost the market position, it is preferable to retrench.

Cynics may see the decision less kindly. Aside from the financial pressures, the usual spate of rumours that beset any troubled company have surfaced – with break-up schemes touted, management buy-outs mooted, and so on. By biting what might become an inevitable bullet, Saatchi at least controls its own fate.

But if the immediate problems and at least part of the proposed solution are visible, this does not answer the basic question: what really has gone wrong?

The problems appear to fall into two categories:

● General questions over the development of the "communications" side, based on the original advertising business which the two Saatchi brothers, Maurice and Charles, built up to be the world's biggest in the 19 years since they founded it in London in 1970. These questions include the size of the division's cost base; the extent to which poor forecasting and delayed client spending have led to the mismatch of costs with revenues; and the degree to which Saatchi has developed the right blend of advertising and other marketing services.

● Specific problems relating to Saatchi's foray into consulting, which began with the acquisition of the Hay Group of remuneration consultants in 1984, and continued with the purchase of a clutch of smaller consultancies in litigation support, technology development, logistics management and so on.

At the time, the move into consulting was easy to justify. The sector was booming and the large accountancy firms were rapidly building up consulting practices of their own. If they could do so, why should an advertising company not do the same?

It was to the accountancy-based firms that Saatchi turned in its search for someone to lead it to world dominance in consulting. In 1986 it recruited Mr Victor Millar, previously of Arthur Andersen, to head its consulting business.

Mr Millar, who was hired on a five-year contract, says he always knew it would take time for Saatchi's move into consulting to pay off. "At the beginning I said it would take the better part of my contract-time to build the consulting unit. We were one third of the way home."

He still insists that the Saatchi consulting business had "the potential for generating very significant profits, but it does require investment in the companies."

That is where the consultancy strategy ran into trouble. While it was building its communications business through acquisition, Saatchi was able to rely on a seemingly insatiable appetite for its shares among investors on both sides of the Atlantic. That ended with the October 1987 stock market crash, and – just before that – the unhappiness among investors at the brothers' proposed purchase of Midland Bank.

Investment in its existing consultancy businesses and the purchase of new ones is something that Saatchi, in its present straitened circumstances, simply cannot afford. "I don't think they intentionally let me down," Mr Millar says. "I think the reason we can't see it through is our fund-raising problem. Obviously we're all very disappointed, mutually disappointed. It's not a matter of A letting B down."

It is not clear how far the strategy relied on the emergence of synergy between the communications and consultancy sides of the business. Mr Millar denies that it was ever Saatchi's intention that the consulting and advertising arms of the group would pass clients on to each other. "That was never a major objective," he says. There was some cross-referral of business between the communications companies and the market research wing of the consulting group. However, he says that the various consulting companies had successfully passed clients to one another, although he will not provide details.

Roughly half of Saatchi's consulting revenues come from Hay. Its management refuses to comment on Saatchi's decision to put its consulting companies up for sale. But comments made last month by Mr Chris Matthews, Hay's chairman, did point to a mismatch of expectations between Saatchi and its consulting unit.

Mr Matthews said that Saatchi had set Hay a wholly unrealistic profit target for the current financial year.

Attempting to achieve Saatchi's profit target was like 'driving with one foot on the accelerator and one on the brake'

He said that what Saatchi wanted from Hay was "something in excess of a 50 per cent increase over the previous year's profits." He said that this was "far ahead of what the industry was doing and far ahead of what we had done in the past."

Hay had taken on new staff, but they still had to be trained. Attempting to achieve Saatchi's profit target was like "driving with one foot on the accelerator and one on the brake," he said.

Mr Millar admits that the agreement under which Saatchi bought the Hay Group was badly structured. When Saatchi bought Hay, it negotiated an "earn-out" agreement with the consulting company's management, under which the ultimate purchase price depended on the level of profits in the years immediately following the change of ownership. The earn-out period ended in September 1987.

Critics say the agreement was one of the causes of Saatchi's consulting problems. In order to maximise profits and earn their profit-related payments, Hay's managers held back on investment. The end of the earn-out period led to a resumption of investment in new consultants, training and technology, which meant that Hay could not provide Saatchi with the level of profits it was demanding.

"That earn-out predates me," Miller says. "It's true that investments after the earn-out had some catching up to do." He says that Saatchi had negotiated better agreements with companies it bought in subsequent years. "We do learn as we go," he says. The earn-out agreements negotiated with other companies included a requirement that the level of investment in training and technology remain at its previous level or that it constitute a specified percentage of revenues.

Mr Millar says Saatchi hopes to sell its consulting companies as a single unit. He adds, however, that Saatchi will be prepared to sell individual consulting companies "in the event that one of our units is so attractive to an individual buyer that a premium price is offered."

For Mr Millar himself, the decision to sell the consulting business signals an end to his association with the Saatchis. He says that once the consulting business has been sold, "there wouldn't be a role for me in the Saatchi organisation." But he hopes the new owner might want to keep him on. "If the buyer is interested and it makes sense for them and for me, then I would probably move with the consulting unit," he says.

It is thought unlikely, however, that a single buyer will be interested in all Saatchi's consulting companies. The business will probably have to be sold as two or three separate units. A management buy-out of some or all the consulting business has been discussed, but Saatchi is understood to have given it the thumbs-down on the grounds that it might deter other, richer, buyers.

It is at least arguable that the emphasis on consulting has cost Saatchi expansion opportunities in marketing services. "In a sense, that's probably true," suggests one analyst. "After all, everything they raised after the Bates acquisition went on consulting". (The purchase of Ted Bates, the US advertising agency, in 1986, was the last big communications acquisition.)

Mr Sinclair, asked the same question, thinks long and then disputes the claim. He does not believe that the consulting thrust has produced neglect elsewhere.

It is indisputable, however, that Saatchi has ended up with a communications business which comprises around three quarters advertising, with only 25 per cent in the faster-growth marketing services area. With this in mind, the 6 per cent growth in first half revenues on the communications side is more or less in line with analysts' expectations.

Much play, of course, has been made of deferrals – that is, significant advertising campaigns postponed either because of the economic uncertainties or for any number of other reasons. Yet in reality, analysts appear to be guessing at a deferral figure of around £25m which, set against first half revenues on the communications side of £332.8m does not appear to be vast.

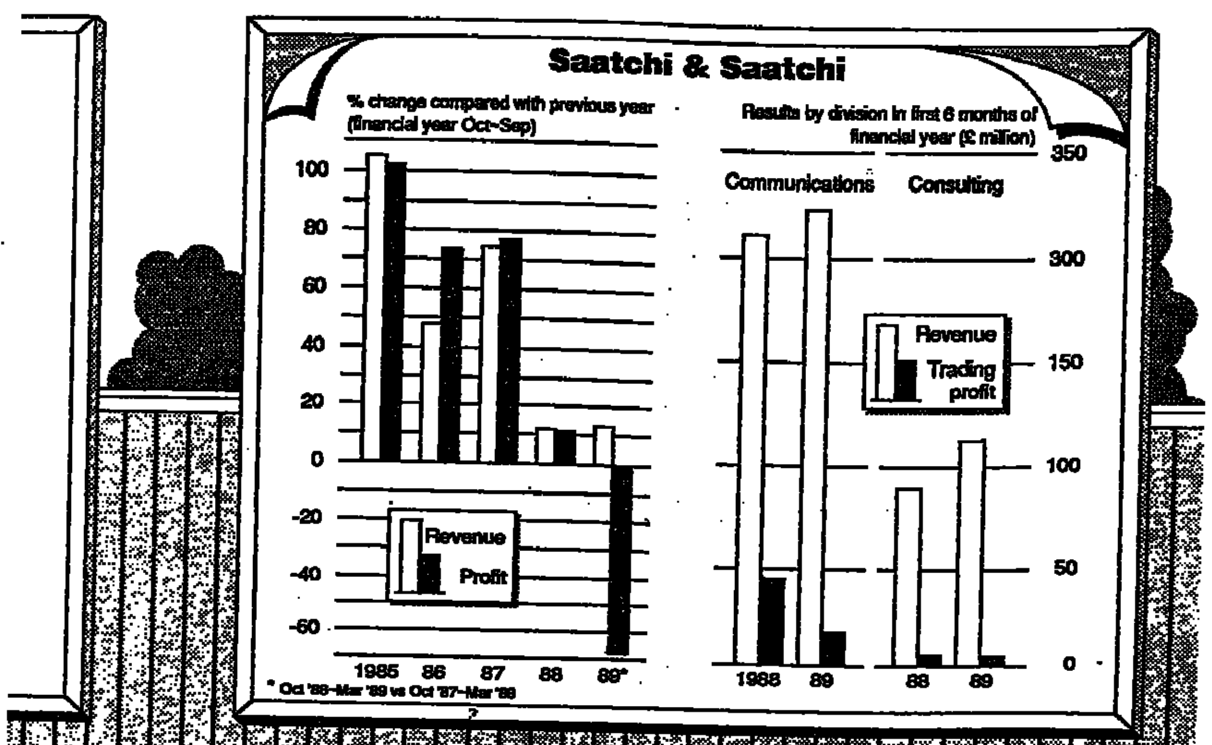
Nevertheless, it is this "marginal" business which will drop straight through to the bottom line – or not, as the case may be. Saatchi's warning note that it was relying heavily on business flowing in in the July-September quarter, which could yet spill over into the next financial year, prompted much of the analysts' downgrading of their profit estimates this week.

A more fundamental worry about Saatchi's continuing business – the communications division – is the scale of the company's costs. Again, the melding of businesses in the wake of acquisitions – in particular, the blending of two of the the group's New York agencies, Dancer Fitzgerald Sample with Saatchi & Saatchi Compton, plus the merger of Bates and another US subsidiary, Backer & Spielvogel – cannot have facilitated accurate forecasting.

To this must be added a more general concern about the level of head office expenses. The very fact that Saatchi has already trimmed head office staffing by a fifth, speaks volumes, some analysts say.

The final criticism concerns the very considerable number of executive changes. At a time when the financial picture is anything but rosy, the finance director, Mr Andrew Woods, is relinquishing his position to supervise the consultancy division's fate.

Where does that leave Saatchi's contention that the world was ready for a global, one-stop communications and consulting group? Unproved, at best. The accountancy firms have had problems diversifying into consulting, with tensions between consultants and audit specialists. They have managed to hold themselves together, but then they do not suffer from the attention that goes with a stock exchange listing. What is clear is that if the world was ready for a one-stop firm, Saatchi was not.



OBSERVER

Steel goes down quietly

■ David Steel professes himself well satisfied with his European election campaign in Italy, but despite four brief bursts of activity in the central regions for which he is a candidate, the main question among the voters is: David chi?

His attempt to establish a single political market in Europe has met with a large amount of consumer indifference. Once Steel's candidacy for the "polo laico" (a coalition of Liberals and Republicans plus a smattering of Radicals) had been announced, the Italian media displayed no further interest – not even in the giant constituency embracing Tuscany, Umbria, Lazio and the Marches in which he ranks second on the coalition's list.

"People have just not noticed him," says a political correspondent on La Nazione, Florence's daily newspaper, which has failed to devote a single column inch to the former leader of the Liberal Party. He campaigned with a written Italian text which, after picking up a few words on his first campaign visit, he gleefully embellished with a description of Mrs Thatcher as "Signora Fuoripasso," (Mrs Out of Step). One of his running mates is the white-haired, elemental radical leader, Marco Pannella, who is campaigning for the legalisation of all drugs.

Clean funds

■ The UK ethical index fund, launched by London and Bishopsgate International (LBI) this week, is advised by Pensions & International Research Consultants Ltd. The latter is a pensions research group which sets very strict ethical criteria about what may be invested in, partly because it is advising trades unions and local authorities. For example, it boycotts any company that has associates or subsidiaries in South Africa. On those grounds, it has no truck with Maxwell Communication Corporation, the company led by Robert Maxwell.

LBI is headed by Lord Donoughue, once a very senior policy adviser to Prime Ministers Wilson and Callaghan. It is 75 per cent owned by Robert Maxwell. There is no problem about that, however, explains Alan MacDougall, the managing director of Pensions & Investment Research. Maxwell's MCC may be beyond the pale, but Maxwell himself is considered clean.

Donoughue agrees. He says that Maxwell the man and MCC are quite separate entities and that there is no cause for embarrassment. Anyway, the fact that MCC is not included in the ethical index demonstrates that Maxwell's role is independent from his role in MCC. Other ethical funds do include MCC.

As it happens, any argument is largely hypothetical. The MCC interest in South Africa was a book distributor called Macdonald Purnell Pty Ltd in which it had a 100 per cent stake. A spokesman for MCC said yesterday that it had now been disposed of and there were no remaining South African connections. MacDougall said that he had not been told of the disposal, but when he is, MCC will be as clean as Maxwell.

"He voted Green and asked for his ballot paper to be recycled."

Thirsk follies

■ The heatwave in Thirsk is doing strange things to the locals according to Bill Foggitt, the 76-year-old weatherman, who says the town is rife with stories of young women running naked in the fields near his home. "I have been keeping my binoculars ready by the window, but I haven't seen any yet," he said.

The fashion for streaking, however, is just one more reminder of the record summer of 1976 which Foggitt believes could be repeated this year. The weather this month has already broken one of Foggitt's records. The temperature on a muggy night three days back never fell below 60 deg F. "I have never had a night minimum temperature as high as that in June," he said.

The plague of ladybirds that bedevilled the area a few weeks ago has been replaced by fields and hedgerows full of orange-tipped butterflies from caterpillars that feed on the Lady's Smock or cuckoo flower.

A couple of nights of heavy rainfall recently has led Foggitt to keep a look out for cumulus clouds which sometimes rise to high peaks early in the day, hence the farmers' lore: "Mountains in the morning, fountains in the evening," although Foggitt doesn't put much store by it. "Sometimes the clouds just go away," he said.

His current worry is the confusion between solstice day, June 21, and midsummer's day. He said: "While the 21st is the longest day, midsummer's day is the 24th of June, although I'm not sure why. I think Shakespeare had something to do with it when he wrote Midsummer Night's Dream and dated it the 24th. I am still puzzled about that one."

Delors in town

■ On the day that five of the 12 European community countries were voting for its Parliament, Jacques Delors, the President of the Commission, was paying his first visit to Washington for four years. He has been given the same treatment as a head of government, seeing President Bush, Congressional leaders and so on. His press conference attracted an attendance of nearly 100 and eight television camera crews. All the main Continental news organisations were represented in force, but only three of the journalists were British and none of the cameras were.

By now Delors can have few illusions about the indifference, and even hostility, of many in Britain to the Community. He remarked yesterday that Mrs Thatcher differed from the rest of the 12 in her basic conception of the future of Europe. Given her opposition to proposals on monetary union and the social charter, could Britain, he was asked, remain a member? "At the moment, yes," was all he would say.

Dog's life

■ A middle-aged lady was buying a large box of liqueur chocolates in a Kensington shop and asked the assistant to gift-wrap it. "It's a present for Betty," she said. "She's two tomorrow." "If I may say, madam," the assistant warned, "I don't think these are suitable for a child of two." "Betty," said the lady sharply, "is a Pekinese."

اقتصاد الأعمال

POLITICS TODAY

Open letter to Sir Owen Green

Sir Owen Green,
Chairman,
BTR plc,
Vincent Square,
London SW1

Johannesburg

Dear Sir Owen,

Thank you for telephoning your colleagues in South Africa and asking them to show me the BTR operations out here, including the one that has given you so much trouble at shareholders' meetings. Although you control only 58.3 per cent of BTR Dunlop Ltd they gave me 100 per cent co-operation. The local Chairman, Mr A.M.D. Gnodde, came down to Durban and together with his Group Industrial Relations Director, Glen Sutton, we drove up to your Sarmcol rubber factory at Howick in Natal, where the dispute began.

I will not go over all the details here, but it is worth recapitulating the salient points. There was an all-out strike on April 30 1985, and Sarmcol sacked the lot – 970 employees in all – three days later. (Yes, I know it's a while ago now, but the matter is not yet closed, as you will be painfully aware from the shenanigans at your AGM.) The strike was preceded by a year and a half of difficult negotiations, which had been punctuated by stoppages, go-slows, overtime bans and the like.

It is not difficult to imagine the frustration felt by the local management at the time, especially as I have had long conversations with officials of the National Union of Metalworkers of South Africa (Numsa). Plainly they underestimated the determination of Sarmcol's managers. Colleagues who were here say that that determination was bolstered by hard, old-fashioned, South African attitudes. Equally plainly Numsa is part of the "mass democratic movement," as they call it, which means that in addition to its industrial role it is led by people who feel themselves to be part of the anti-apartheid political vanguard, along with the other organisations that represent, broadly speaking, African National Congress thinking. They say they want BTR out of the country, and they have got the Confederation of South African Trade Unions to brand it "one of the worst foreign employers in South Africa."

BTR Dunlop Ltd does have agreements with Numsa, at some of its other plants, but in this instance it signed up with an opposition black union – one associated with Chief Buthelezi's Inkatha movement – to represent many of the 650 or so employees who have replaced the sacked 970. The two unions are bitterly opposed to one another politically, in a climate made the worse by the current civil war in the area. The workers your subsidiary dismissed were initially offered the chance of re-applying as individuals, but only 66, none of them Africans, took this chance. Unemployment is extremely high in that part of the country and it is doubtful whether many of the 375 who come from the unprepossessing Mpophomeni township, or the others who come from immediately adjacent black areas, have found jobs even now. Numsa says there is serious malnutrition. It also claims that four of its local officials have been killed by Inkatha; I have no way of knowing if there is any truth in this.

As you know, the quarrel has gone before the courts. You won in the Industrial Court, but lost in the Supreme Court, which ruled that the President of the Industrial Court should have recused himself. An appeal is in progress.

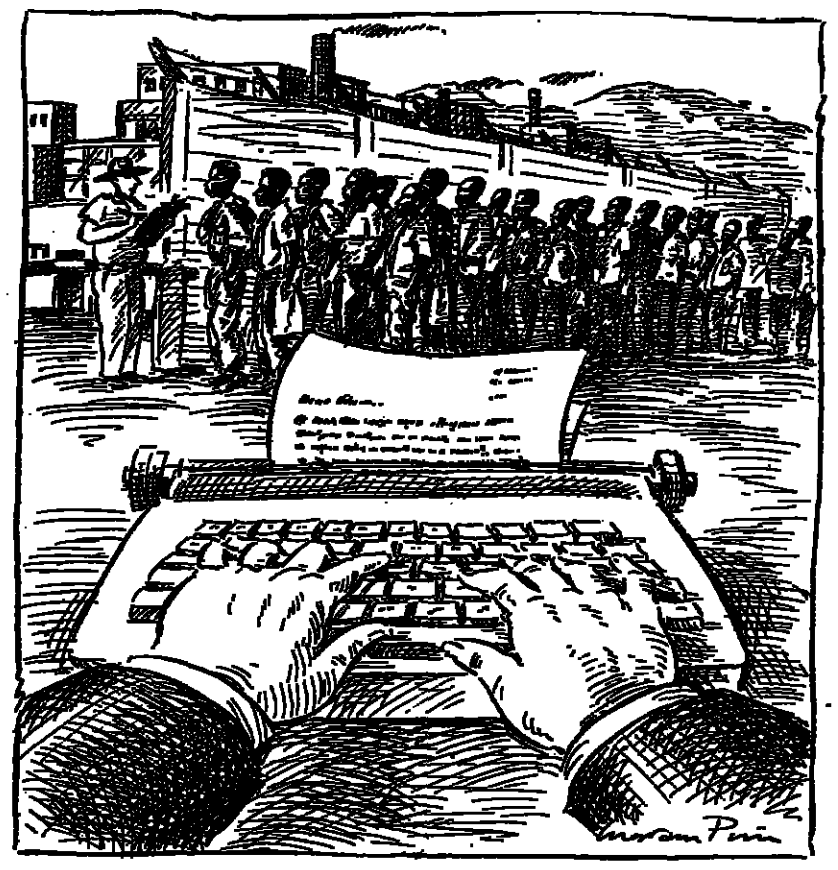
What else could it do? It is probably too late to take back the sacked workers; their replacements need the jobs as badly as the others and they have been in them for some time now. Sarmcol has repaid the pension contributions of those it dismissed, with interest. This has given them an average R3,000 – say £750 – each, much of which Numsa has placed in a trust fund. Your local managers seemed surprised when I asked if any consideration had been given to a wrap-up deal involving a final severance payment. I was thinking of what Rupert Murdoch did with his ex-News International print workers in not dissimilar circumstances.

Sarmcol has not kept track of its former employees' addresses, but claimants would appear if there were something to claim. The deal would be difficult, not to say exasperating, to negotiate with a Numsa that is feeling its strength elsewhere, but it should be possible.

You may say that there is no reason to do this, that you have an answer to every accusation Numsa makes. Mr Sutton wonders about the union's responsibility for the damage to the plant's trading results. You are, says your literature, "in business, not politics." I know your view that the creation of wealth is the best thing BTR can do for the community, period. It is also true that your South African subsidiary is desegregated, and that, in theory, it provides opportunities for employees of all races.

What I question is whether, in South Africa's special circumstances, this is good enough. I am not talking disinvestment here. One of BTR Dunlop's competitors, Goodyear, has just announced that it is pulling out, but then so have more than half the 300 US companies formerly operating in the Republic. Let's leave that argument on one side and concentrate on companies that are staying in, as BTR says it intends to do.

Such companies are to some extent in politics whether they like it or not. Shell, which has become an anti-apartheid target, pays for full-page advertisements calling for an end to the state of emergency and the release of all political prisoners. "Let the people speak," says Shell. It produces an annual report showing its links with black businessmen, its promotion of black managers, and its social programmes.



You may shrink from such things, and especially from such a high-profile approach. There is another example, however, over at Unilever's South African branch. The day after visiting Howick I went down to their headquarters overlooking Durban harbour to meet its chairman, Mr Nigel Clayton and his colleagues. There is no question of disinvestment in Mr Clayton's mind, and no pressure, either. But whereas BTR has no specific "black advancement" programme, and an apparent aversion to a social programme (apart from small disbursements from its charity budget), Unilever presents a "Social Report" and does much else besides.

At present some 9 per cent of its managers are black. There is a detailed plan to double this, to 18 per cent, by January 1 1993. Unilever grades its employees by "Job Class" and managers are JC 19 or above. At that level they are mainly in supervisory grades – better than the odd shift foreman to which BTR could point. At JC 21 you get a company car; there are at present 26 black Unilever managers at this level or above. There are just two at JC 24; both have whites working to them and are *clearly on a moving staircase*. A further three high-fliers are on secondment to Unilever in Britain; yet others are sent on various training courses.

BTR – which has 3,714 black employees out of a total of 6,118 as against Unilever's 4,600 out of 8,000 – does not appear even to think in these terms. If a black manager of genius thrust himself forward he might be considered, but that is not the Unilever way. It has a positive management development programme which it insists goes beyond window-dressing.

The biggest union Unilever deals with – the Chemical Workers Industrial Union – is of the same ilk as Numsa, but although there have been shortish strikes there have been no mass sackings. Your BTR management is a touch legalistic; Unilever regards resort to the law as a very last action. "There has to be a relationship," says Mr G.D. Varnals, its personnel director. Of course Unilever was consultative – paternalistic – before black unions were legalised in South Africa, which is perhaps why it can even now claim good relations with its workforce. "A relatively good company," I was told when I talked to Numsa officials.

Mr Clayton also takes a more direct part in politics. Unilever joined a delegation that approached Boksburg council after it banned blacks from previously multi-racial facilities. It is part of a Durban business initiative to persuade local councils to allow black executives to buy homes in white areas. "They are in the post-apartheid society during the day when they work here," says Mr Clayton, "but they go home to township life at night." The company has protested, albeit quietly, when its employees have been detained.

Outside the far right, it is hard to find a South African of any colour who believes that apartheid has many more years left in it. The arrival of a non-racial government is regarded as a matter of when, not whether, by most, and of a specifically black government as likely by some. The Clayton approach is to build bridges to the future. Is BTR's?

There is another concern. The real struggle in South Africa today is, first to get a democratic government, and second, to control it. The "mass democratic movement" wants a socialist South Africa. Since there is no black vote, nobody can tell how "mass" it is. I – and surely you are totally with me here – want a free-market, entrepreneurial South Africa. There are as many assessments of the balance of forces in this argument as there are people to ask, but my own suspicion is that while the capitalist-roaders have very much strength, the socialist-roaders should not be underestimated. They may have the majority of the black hearts and minds; we are unable to tell until there is universal suffrage.

In short, you cannot operate in such a fast-changing environment, under so many spotlights, and stay politically aloof. Companies that act tough and do nothing are themselves affecting the political climate. I do not think that your BTR managers have horns and tails; I found them charming. What I am hoping to get across is that it is BTR's London-based philosophy that is working its way through to its South African subsidiaries. It needs up-dating.

Yours etc

Joe Rogaly

LOMBARD

The wisdom of an Asian tiger

By Michael Prowse

WHEN I arrived in Seoul last month, a note in my hotel bedroom said Korea would shortly be celebrating "Teachers' Day." A few days later, a businessman explained how his son, having taken a first degree in Korea and postgraduate qualification in the US, was about to enter the London Business School. He saw nothing exceptional in his son taking three degrees and not settling down to an industrial career until nearly the age of 30.

The same commitment to education was apparent at the economic ministries, where most of the ministers are former professors of economics and top officials have PhDs as a matter of course. (In Britain, the Chancellor of the Exchequer is regarded as well qualified because his undergraduate degree contained some courses in economics).

The Korean Educational Development Institute (KEDI) – a lavishly funded government think-tank – showered me with pamphlets explaining the link between educational and national development. In the last 40 years, the growth of secondary and higher education has been matched only by that of Korean GNP and exports. In 1945, the high school population numbered only 40,000 and there were less than 8,000 students in universities and other higher education colleges. By 1988, high school numbers had swelled to 2.3m and nearly 1.5m students were enjoying higher education.

Korea now boasts much *higher participation rates* in both secondary and higher education than many so-called advanced countries. In Britain, only 45 per cent of 16-year-olds remain in full-time education. The figure in Korea is 90 per cent. In Britain, only 15 per cent of 18-year-olds proceed to three-year courses at universities or polytechnics. In Korea, about 35 per cent of high school graduates embark on four-year courses at universities and colleges. A further 20 per cent attend two-year junior colleges. Korea has thus already achieved participation rates which exceed the distant dreams of Mr Kenneth Baker, the UK Education Secretary.

There is no pretence that one curriculum is suitable for everybody: 60 per cent of high schools are "academic" and 40 per cent "vocational." Premature specialisation is not allowed. The British habit of letting 16- to 18-year-olds study just three subjects, often in related fields, would be regarded as absurd. In Korea courses can be tilted towards science or the humanities, but everybody has to study a wide range of subjects throughout their school life. The core disciplines are compulsory. This means that 90 per cent of children study maths up to the age of 18; in Britain the figure is certainly well under 10 per cent (only 5 per cent of 18-year-olds pass A level maths).

Korean education has Thatcherite features. Only the first six years of schooling are free. Parents (except in very poor regions) have to pay about $600 a year towards the cost of a child's high school education. University tuition costs around $2,000 a year. These are heavy burdens given the comparatively low level of incomes – but parents in this still Confucian society are willing to make the sacrifice.

Korean educationalists remain far from complacent. Dr Shin Se Ho, the president of KEDI, says there is far too much emphasis on memorisation and rote learning and not enough scope for "self realisation." He describes the competition in high school for university places as "inhumane." Students leave home at 6.30 am and do not get back until well after 9 pm – and then they have to watch educational programmes on television.

The Korean education system is flawed. But you can be certain that the miraculous progress of the post-war years will continue. More attention will be paid to creativity and personal development. The determination to raise standards marks a striking contrast with the UK, where the backwardness of state education is just not recognised. (Mr Baker is proud of a national curriculum which *finishes* at age 16.) Somehow, politicians, parents and children must be persuaded to raise their aspirations – at least to the levels obtaining in a relatively poor Asian economy.

LETTERS

'The Chancellor and the PM should agree'

From Professor Geoffrey Maynard.

Sir, Even Prime Ministers should recognise the truth in the old adage that "bygones are forever bygones." While it may be true that the Treasury's policy of shadowing the D-Mark in 1987 and early 1988 contributed to the recent rise in the UK's inflation rate, shadowing it in today's circumstances could put a check on our future inflation rate.

The UK will soon be (if it is not already) in the classic position of tight monetary policy and high interest rates biting on demand and output growth before they begin to bear down on inflation. Excessive domestic demand may soon cease to be the main force behind inflation, leaving behind, as often before, wage-price reactions which maintain upward pressure on prices for some time to come.

The best way to cap this pressure is to maintain a firm exchange rate; but in the absence of confidence in foreign exchange markets that the Government really intends to do this, interest rates have to be kept that much higher than would otherwise be the case.

This then runs the risk of "overkill" as far as domestic demand is concerned, increasing the danger of a hard landing (that is, recession) for the British economy.

It is therefore very important for the Prime Minister and the Chancellor to agree, and be seen to agree, on exchange rate policy as well as on monetary policy. While there is something to be said for "floating" exchange rates in some circumstances, there is very little to be said for a "sinking" exchange rate, which seems to be the danger today.

Geoffrey Maynard,
Investcorp,
65 Brook Street, W1

Brain drain paradox

From Mr Alexander Murray.

Sir, Mr Robert Jackson, the Minister for Higher Education (Letters, June 13) believes that the "brain drain" of top university talent is chiefly a matter of salaries, and makes this a reason for opening academic salary structures to "market forces."

Salaries cannot be the prime concern for brilliant academics. Otherwise, being brilliant, they would not have chosen to be academics in the first place. So the attraction of the job must lie elsewhere. It lies in an ensemble of proper conditions for practising a vocation. These conditions include – in return for a relatively modest salary – a measure of freedom from market forces.

In other words, the means Mr Jackson proposes for bringing brilliant academics back is precisely what is driving them away.

Alexander Murray,
University College, Oxford

Road for London

From Mr Peter Bottomley MP.

Sir, It is ludicrous for Mr John Wakeham, chair of the Association of London Authorities Planning and Transport Committee, to suggest ("Getting around London," Letters, June 14) that we have to spend £3.5bn on new roads in London to avoid wasting £4m spent on the assessment studies.

The cost of all the assessment studies has been 8 per cent of the £50m annual cost of casualties in the East London assessment study area *alone*. There should be ways forward which are better and cheaper than the most expensive options.

We aim to aid mobility, cut the 1,000 casualties a week, and reduce the impact of traffic on residents in London.

London will benefit from the assessment studies.

Peter Bottomley,
Minister for Roads and Traffic,
The Department of Transport,
2 Marsham Street, SW1

In the 'public execution' of sovereign debt, who should pay?

From Mr Nicholas Hopkinson.

Sir, Your editorial ("Brady and the banks," June 9) blames the Brady initiative for not providing the resources necessary to make the initiative work, and for inviting commercial banks to write off sovereign loans in a "public execution." Not only are you arguing for the transfer of risk to the taxpayer, but you are denying that the ball lies in the creditors' court. Your editorial, "Africa's debt burden" (September 30 1988), reinforces this last argument.

"Because the bulk of Africa's external obligations is owed to official creditors (unlike Latin America, where the commercial banks have the largest exposure), it is governments and multilateral lending institutions which must play the leading role in resolving the (African) crisis."

If creditor governments take the lead in reducing a part of their $250bn lending, then so should commercial banks take the lead in reducing their $875bn exposure.

In any case, a transfer of risk is already under way, as governments assume an increasing share of new lending. Public money has also been used to prevent systemic collapse and geo-political upheaval and accommodate tax changes. International financial institutions have been pushed into increased lending to bid debtors and riskier programme lending.

Rather than criticise governments for not acting as the fairy godmother of the banks, G7 governments should be criticised for failing to define clearly the role of the banks after assessing what debtors can realistically repay. Although many commercial banks have found their own internal solutions, more radical and phased write-offs are required. Debt overhang is dampening world trade, and imaginative solutions – such as linking debt to trade – should be further examined.

Providing substantial public funds would be politically suicidal for governments, particularly in the US where bailing out the big banks is not only anathema to imbedded values, but would also widen a public deficit that is already being stretched to prop up local savings banks.

Whether or not commercial banks were encouraged to make sovereign loans, banks are autonomous institutions that risk shareholders' capital. That commercial banks should benefit from a large additional free ride on G7 taxpayers to subsidise their imprudent lending is unrealistic.

Let me stress that these views are my own, and do not represent the views of any institution.

Nicholas Hopkinson,
Wilton Park,
Steyning, West Sussex

From Professor Ralph Reisner.

Sir, "Brady and the banks" (June 9) takes the position that commercial banks that lent petrodollars are wrongly being asked by the US Government to bear part of the cost of debt reduction. While your commentary finds no basis for such demand, such risk has always been part of the basic equation of sovereign lending.

Just as bankers knew that sovereigns cannot go bankrupt, they knew or should have known that sovereign lending carries with it the risk that if things go wrong their claims may become part of a governmentally sponsored workout.

The Litvinov agreement of 1934 settled the claims of US creditors against the Soviet Union. This and other similar negotiated settlements should have made clear to banks that their loans to Mexico and other sovereigns might in extreme circumstances be subject to a governmentally sponsored adjustment.

The Brady plan does no more than ask for enlightened bank action to avoid an imposed solution.

Ralph Reisner,
University of Illinois at Urbana-Champaign,
105 Law Building
504 East Pennsylvania Avenue,
Champaign,
Illinois, USA

Brain powered

From Ms Judith Eversley.

Sir, When I was young one could drive a Morris Oxford or an Austin Cambridge. Today I parked next to a Skoda LSE. Is this an academic record?

Judith Eversley.
40 Kipling Avenue,
Bath, Avon

FINANCIAL TIMES
Friday June 16 1989

Gorbachev sets sights on a nuclear-free Europe

By David Marsh in Bonn

PRESIDENT Mikhail Gorbachev yesterday rounded off his four-day visit to West Germany by further projecting his peace-making image and holding out the long-term goal of removing all foreign troops as well as nuclear weapons from Europe.

At a press conference in Bonn, the Soviet leader admonished the North Atlantic Treaty Organisation (Nato) for still sticking to "elements of the old philosophy of the Cold War" in its proposals for conventional disarmament outlined at the end of last month.

Although he termed as "very encouraging" prospects for cuts in conventional arsenals at the Vienna talks, he said Nato's arms proposals could not be regarded as "a major breakthrough."

Military levels in Europe were "too high," he said. It was necessary to work towards eliminating altogether "at some stage" foreign forces on other countries' territory – maintained above all by the US and the Soviet Union.

The Soviet leader took a swipe at Mrs Margaret Thatcher, the British Prime Minister, by describing as "eccentric" the UK's expulsion of alleged Soviet spies last month. He pointedly balanced the remark by thanking Britain for sending doctors to help after the recent rail disaster in the Urals.

Mr Gorbachev tried to give a diplomatic response when asked about the Berlin Wall. This was not the only problem in his future plan for a "common European home" but it would not last for "eternity," he said. He called for "mutually beneficial co-operation" between East and West.

Mr Gorbachev's warmly received trip has further boosted West German sympathy for him and his goals while giving the Bonn Government a new feeling of being taken seriously in Moscow. It has also added to the strong currents in West German public opinion opposing Nato's present military strategies and calling for complete removal of nuclear weapons from West German soil.

But, as Mr Gorbachev flew home last night, he left behind serious doubts among industrialists about whether his programme of Soviet economic restructuring can succeed.

The Soviet leader received a warm reception in talks with business leaders, but no large contracts were signed during the visit. Companies with Soviet links are cautious about increasing business mainly because of Moscow's chronic shortage of foreign exchange.

Mr Gorbachev referred to the scepticism yesterday when he said the perestroika process of restructuring would face more "painful" difficulties. But there would be no turning back.

Gorbachev in the Ruhr, Page 2

Woomera set for a new lift-off

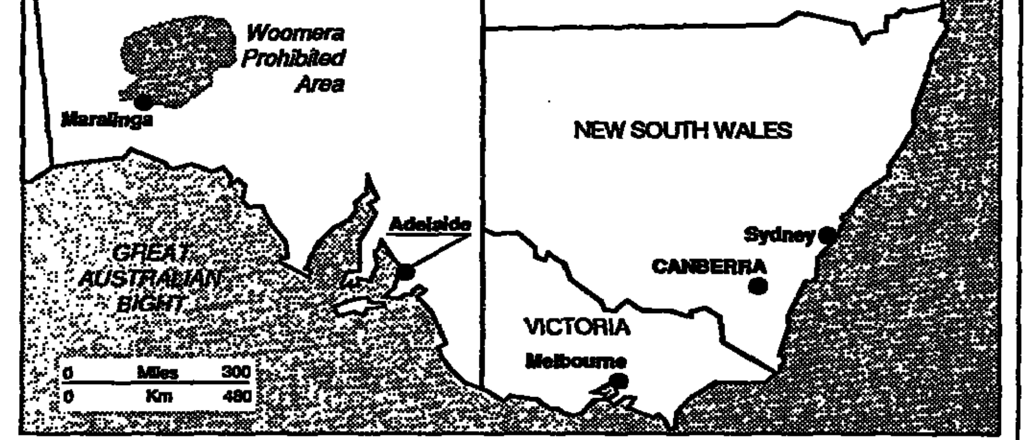
Chris Sherwell on plans to rejuvenate world's largest rocket range

EVERY 15 years or so, a monsoonal trough is sucked into the arid heart of Australia. The torrents of rain create hundreds of lakes and, in a fresh lease of life, the continent's vast scrubland becomes a carpet of green.

At Woomera, in South Australia's featureless plains, the "Big Wet" has been as torrential as anyone can remember. But the talk of the town concerns another exciting lease of life: for the place itself.

In a move so obvious it is surprising no one thought of it before, Canberra's federal government and the state government of South Australia are collaborating to rejuvenate the world's largest rocket range by commercialising it.

Thirteen companies, including British Aerospace of the UK and Thomson-CSF of France, have already expressed interest in using the facility. The authorities are hoping some A$250m ($186.5m) will be invested in the range over the next ten years.



The alternative is further painful decline for the place which, more than any other, symbolises Australia's enduring military link with post-war Britain.

In the 1950s and 1960s, Woomera was Britain's chief rocket and guided weapons testing centre. Across a prohibited area the size of England, missiles like Rapier, Bloodhound, Sea Dart and Sea Slug were tested and proven. And in the far corner, at Maralinga, Britain conducted its controversial atmospheric atomic bomb tests.

The Joint Project, as the Anglo-Australian arrangement was euphemistically known, reached a peak of activity in the mid-1960s when Woomera's population topped 5,000. But from the mid-1970s it sank into decline, finally spluttering to an end in 1980.

Other organisations temporarily filled the growing breech. The European Launcher Development Organisation (Eldo) conducted its rocket launcher trials at Woomera. Nasa of the US had space tracking facilities for many years, while there were upper atmosphere research rocket launches by Nasa and the European Space Research Organisation.

Most significantly, just outside the small town the US and Australia set up their joint facility known as Nurrungar, involving a garrison of some 500 US air force personnel. Even now, Nurrungar is crucial to the Western alliance's early warning system to help deter a nuclear war.

Despite all this, Woomera in the 1980s has operated on a care-and-maintenance basis, and its days have looked increasingly numbered: until now.

In a proposal that was quickly embraced by Canberra, the state government last year suggested offering the use of Woomera to the corporate world and, in particular, the world's defence and aerospace industries.

The selling points were the range's obvious attributes: its size and its isolation. Woomera is like a huge open air lab. Rocket trajectories can be monitored, and the debris collected, much more easily than at sea. Apart from the Mojave Desert in the US, it is the only large land-based rocket range available to the West.

Just as attractive, it is far away from prying eyes, it suffers little physical or electronic interference and, barring the 15-year exception, it is climatically stable.

The state government's proposal, fortunately, coincided with Canberra's reassessment of defence policy. Among other things, the federal government decided to push for more defence exports, both to help the balance of payments and boost Australia's high technology industries.

After further refinement of the idea, Canberra earlier this year advertised for expressions of interest in the use of Woomera. Among the 13 respondents are the government's own Aerospace Technologies of Australia, and the recently-formed South Australian group AWA Defence Industries.

Also on the list are BHP Aerospace and Ansett Technologies (each connected to large Australian companies) and Price Waterhouse, the accounting and consulting group.

According to state government officials, the response of British Aerospace and Thomson-CSF masks an even wider range of foreign interest from groups which understand official preference for Woomera to remain in Australian hands.

It is interesting that the two governments do not expect Woomera to attract rocket- or missile-related activity. Rather, they see Woomera as most attractive to other armed forces keen to practice air combat manoeuvres, and as a site suitable for developing electronic warfare measures and for testing avionics equipment.

Clearly, no arrangement for the commercial use of Woomera will be allowed to preclude continuing access for Australia's defence forces. Indeed, it is hoped that some of the range-testing currently done at considerable cost abroad will now be done at Woomera.

The fact that commercialisation had not been proposed before is indicative of a previous official preoccupation with rocket and weapons-testing. For the 1,900 current inhabitants of Woomera, the change may be painful. But at least their town may survive.

Henley hospitality goes down the river

By Richard Waters in London

IS someone taking you to the Henley Royal Regatta, perhaps to cement a business relationship over the Pimms and the strawberries?

Yes? Well, think again: you may be one of the 3,000 or so carefree punters whose day beside the river is in jeopardy after allegations of fraud in the corporate hospitality industry.

Henley Hospitality Regatta (HHR), a company formed in February, has gone into liquidation after one of its two directors left the country, allegedly with £30,000 ($45,600) of the company's money.

Less than two weeks before the regatta, it is touch and go whether a deal can be patched together to save the day.

HHR was part of the corporate hospitality industry which has sprung up to satisfy the business demand for facilities to entertain most valued clients (and would-be clients) at sporting occasions.

The company's failure will cast a lurid light on an industry which has aroused indignation among sports fans incensed at corpulent businessmen taking over Wimbledon, Twickenham and Ascot.

HHR sold places at this year's regatta – from £185 to £225 per person per day – to more than 80 businesses. Most are understood to have taken between 20 and 40 places in one of the "tented villages" springing up on the banks of the Thames.

The price was to include a Pimms and champagne reception, a four-course lunch and afternoon tea. A jazz band and straw boaters were to be thrown in to create that authentic English boating atmosphere.

Between slurps of champagne the revellers might also have cared to glance across at the Thames from their position immediately opposite the official steward's enclosure, one of the high temples of old-world British social prestige.

They might just have caught sight of the world's leading oarsmen thrashing down the river in the world's oldest regatta, celebrating its 150th anniversary.

The tented village is being run by Regatta Hospitality, which is making 600 places a day available to HHR clients.

HHR's publicity material had already caused consternation in the sedate backwaters of the Henley Royal Regatta, whose stewards host of the annual five-day event. The stewards' lawyers threatened HHR with an injunction unless it made it clear to its clients that, despite the similarities in the names, it had nothing to do with the organisers of the event. Things went from bad to worse this month when Mr Alex Ozer, a director of the company, is alleged to have withdrawn £30,000 from the company's account with Lloyds Bank and departed.

Fulham police are now looking into the matter after a complaint from an HHR employee. The company called in the liquidator earlier this week. The remaining director, Mr Solomon Fom, could not be contacted yesterday. It is unclear where this leaves HHR's clients, or Regatta Hospitality, which has already sunk £200,000-£300,000 into preparing for them.

Regatta Hospitality says it will try to contact HHR's clients and arrange for as many as them as possible to get to Henley.

The moral of the story? It is summed up by Mr Richard Goodard, secretary of the Regatta: "Any company choosing to entertain at any major event should as a matter of plain common sense contact the organisers to see that the people they are dealing with are reputable."

His own advice: use the official hospitality, provided (at a profit) by the stewards.

THE LEX COLUMN

Cheap seats at the Abbey

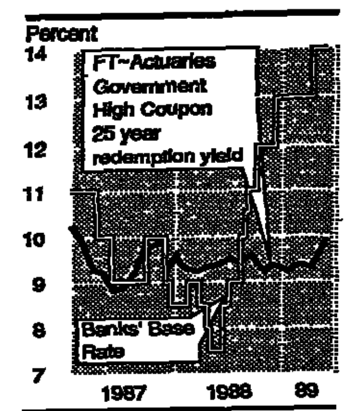
The Abbey National's reasons for seeking a public flotation of its shares remain suspect, but there can be no complaint about the pricing. A discount of 23 per cent to net asset value – and a prospective yield of 8½ per cent plus – are generous terms, but then they should be. Never again will the Abbey National's small shareholders be able to wield the sort of power that they did when they voted to allow Britain's second biggest building society to turn itself into a bank. They deserve to be well rewarded, and even if the shares begin trading at close to net asset value – implying a 30p to 40p premium – they will still yield more than the Scottish banks, the most natural comparison.

Of course, if the TSB's flotation is any guide, punters would be well advised to bail out early on. Today, the TSB's shares are just 4p higher than they were in October 1986 although the market has since risen by more than a third. Indeed, the Abbey National's management should be forced to resign if they cannot better that sort of performance. The Bank of England's tougher capital rules should ensure that in the short term the Abbey does not waste money diversifying in a big way out of its successful core business – lending money for housing. However, the longer term growth potential in this area must be limited and this is the reason why the Abbey wants to be able to branch into new fields. It will be several years before it can prove that it can do so without tapping its new shareholders for extra funds – the ultimate test of success.

Markets

The pound's trade weighted index has been falling for five days in a row, but the need for another panic rise in base rates is receding. Provided that Mrs Thatcher and her advisers do not make any more impromptu remarks about the Chancellor's abilities, and that today's UK inflation figures are not horrendous, the pound may be over the worst in the short term.

The latest UK average earnings figures were no worse than expected, the West Germans did not raise their interest rates yesterday and, as long as the foreign exchange markets do not take fright at the election results, the UK authorities should just be able to hold the line on interest rates. In this respect, yesterday's rise in the UK gilt-edged market is encouraging. However, the longer term questions about the firmness of the UK's anti-inflation policy persist, and as long as they do, any recovery in the exchange rate will remain fragile at best. The suspicion is that the political risks of reducing inflation to 4 per cent in time for the next election may be too much even for Mrs Thatcher to contemplate.



BP

Since BP excluded coal from its select group of chosen businesses, it was only a matter of time until it put the business up for sale. The whole thing makes good enough sense; the market values the assets at almost nothing, whereas to a coal company they may be worth some $600m. Most important, BP needs the cash, which would take between 1 and 2 percentage points off its gearing.

BP is being even better than its word in getting its gearing back towards 35 per cent, which it may manage within the next year or so. Since January alone, it has squeezed over $1bn cash out of its upstream assets and peripheral chemicals businesses, and there is plenty more of that kind of tidying up to be done. The somewhat grudging commitment made yesterday to nutrition suggests that division is safe for now. Presumably, BP will get shot of it eventually, but to do so when it is making so little money, would just underline what a mistake it was to spend $500m on Purina Mills just three years ago.

British Steel

By rights, British Steel's share price should have done better than just track the market since it was floated. The big downturn in steel demand seems no closer than it was then, and is now not expected until the beginning of next year. Far from disappearing, profits this year should grow by at least 10 per cent, even on yesterday's strong base of £593m. For now at least, volumes are there, prices firm, and there seems no end to the improvement of efficiency and gradual upgrading of product.

Yesterday's 2p fall in the shares was a technical matter, anticipating the fall when the shares go ex-dividend on Monday. More generally, though, nobody is interested in a cyclical steel maker when inflation is rising, interest rates high, and the economy poised to turn. In theory, a p/e of under 7 and a yield of over 7 already should take care of all that. An up-market steel producer going into a downturn from a starting point of minimal overcapacity will clearly cope better than most; but as British Steel's position is without precedent, the market is perhaps right to be cautious.

Meanwhile the company evidently feels under little pressure to spend its cash, which is mounting at £1.5m a day. With a return on capital scarcely higher than the base rate, there is little to be lost for now by sticking it in the bank.

Johnson Matthey

Johnson Matthey's earnings may well be the same in 12 months' time as they are today, but it seems a fair bet that the share register of the company will look substantially different. Indeed, the market has been busy for some time already trying to mix and match Minorco, Charter Consolidated, Cookson and Johnson Matthey in such a way as to justify a bid premium for the latter. Yesterday's Minorco board meeting – the first since the Gold Fields escape – may have taken the process one step closer to completion. The market will be listening hard next week when Charter announces its own results, eager for a clue to the fate of that company's 38 per cent holding in Johnson Matthey.

Without the prospect of corporate fun on the horizon, investors would have to be content with a vision of dullness all round – and Johnson Matthey would have to settle for a prospective rating of well under the current 13 times earnings. Green concern in Europe will do wonders for the catalytic converter industry – and for Johnson Matthey's platinum – in the medium term. But in the short term, profits will be slave to factors beyond the company's control: metals prices, exchange rates, US economic growth.

Tokyo shares suffer biggest fall this year

Continued from Page 1

fears of another increase in Japan's official discount rate despite assurances to the contrary from the Bank of Japan. Government bond prices came under heavy selling pressure yesterday, the price of the benchmark 111th government bond falling Y0.34 to Y94.34, raising the yield by 0.06 per cent to 5.540 per cent.

Also in the background was uncertainty about the domestic political outlook. A poll published yesterday showed only 22 per cent of eligible voters support the cabinet of Mr Sousuke Uno, appointed Prime Minister only two weeks ago.

Most political analysts expect that the ruling Liberal Democratic Party, battered by the Recruit bribery scandal in recent months, will lose its majority in elections for half the seats in the upper house of the Diet next month. That would make it more difficult for the LDP to manage government business, including the increasingly difficult trade negotiations with the US.

Soviet Union, Italy to consider railway signals joint venture

By Quentin Peel in Moscow

THE SOVIET UNION yesterday signed an agreement to negotiate a joint venture with Italy for the overhaul and automation of its huge but outdated railway signalling system. The system has been blamed as the cause of a string of recent accidents in which many people have died.

The agreement is between the Soviet Rail Ministry and two subsidiaries of the Italian state-owned Finmeccanica group – Ansaldo and Fata – heavily involved in signalling equipment and automation.

It aims to set up the joint venture by November to transfer Italian and US technology for the manufacture and installation of signalling systems and station automation equipment, both in the Soviet Union and for sale in other countries.

If successful, the deal could open up a huge potential market for Ansaldo Trasporti, Wabco Westinghouse and Union Switch and Signal, the three railway signalling companies in the Finmeccanica-Ansaldo group.

It still faces two major potential obstacles, however, in the Cocom regulations restricting the transfer of Western technology to the Soviet Union, and in the lack of an obvious source of foreign currency income to finance the Italian input.

Several recent Soviet accidents have been blamed on signals failures or related human errors, including a crash on the main Moscow-Leningrad line last August and a goods train crash which caused a massive explosion in Sverdlovsk.

Most of the Soviet electro-mechanical signalling equipment is based on 1930s and 1950s US-type technology.

Mr Romano Prodi, president of IRI, the Italian state holding company, and Mr Fabiano Fabiani, chief executive of Finmeccanica, were in Moscow yesterday for the signing of the agreement to conduct exclusive negotiations.

If the joint venture is finalised, it will be the second major deal by Italian state industry, in the shape of Ansaldo, in key sectors of the Soviet economy.

Earlier this year, Ansaldo and Fata, part-owned by Finmeccanica, set up a joint venture to overhaul and re-equip Soviet power stations, using gas and steam turbines from Asea Brown Boveri, one of the world's biggest electrical concerns.

● **Alan Friedman writes from Milan:** Fineurop, a Milan trade finance company that is 90 per cent-owned by S.G. Warburg Soditic (Jersey), said it had agreed to form a new joint trade venture in Italy with a group of Soviet banks.

The company will be called Compagnia Finanziaria Italo-Sovietica (Cofisov) and it will be 30 per cent-owned by Fineurop, 30 per cent by Banque Commerciale pour l'Europe du Nord, a Paris-based and Soviet-owned bank, 30 per cent by Donau Bank, a Vienna-based Soviet bank, and 10 per cent by Granat Versicherungs of Vienna, a Soviet-controlled insurer.

Cofisov will seek to generate Italo-Soviet bilateral trade deals and to provide full financing packages.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	•	-	-	Dubrovnik	F	22	72	Malta	S	26	79	Rhodes	C	24	75
Algiers	S	29	82	Edinburgh	F	19	66	Manchester	S	21	70	Rio de Jo	•	-	-
Amsterdam	S	25	77	Faro	•	-	-	Manila	C	34	93	Rome	F	25	77
Athens	S	26	79	Florence	S	27	81	Melbourne	F	12	54	Salzburg	S	21	70
Bahrain	S	31	88	Frankfurt	F	25	77	Mexico City	R	28	82	San Francisco	C	14	57
Bangkok	C	34	93	Funchal	C	21	70	Miami	S	28	82	Seoul	C	30	86
Barcelona	S	26	79	Geneva	S	24	75	Milan	S	26	79	Singapore	F	30	86
Beirut	•	-	-	Gibraltar	F	23	73	Montreal	C	15	59	Stockholm	F	18	64
Belfast	S	18	64	Glasgow	S	20	68	Moscow	C	17	63	Strasbourg	•	-	-
Belgrade	F	20	68	Guernsey	S	23	73	Munich	S	21	70	Sydney	S	18	64
Berlin	F	18	64	Helsinki	R	11	52	Nairobi	C	19	66	Taipei	F	36	97
Biarritz	•	-	-	H. Kong	F	29	84	Naples	F	25	77	Tangier	F	27	81
Bombay	Dr	23	73	Innsbruck	F	22	72	Nassau	F	32	90	Tel Aviv	S	28	82
Bordeaux	•	-	-	Inverness	S	18	64	New Delhi	F	30	86	Tenerife	C	23	73
Brussels	S	25	77	Islamabad	F	32	90	New York	Dr	16	61	Tokyo	C	23	73
Budapest	F	19	66	Istanbul	F	22	72	Nice	•	-	-	Toronto	C	14	57
B. Aires	F	18	64	Jakarta	C	32	90	Nicosia	S	34	93	Tunis	F	27	81
Cairo	S	32	90	Jersey	S	25	77	Oporto	S	26	79	Valencia	F	26	79
Cape Town	S	25	77	Jo'burg	S	14	57	Oslo	S	20	68	Venice	F	25	77
Caracas	R	25	77	Lima	C	18	64	Paris	•	-	-	Vienna	S	20	68
Casablanca	S	23	73	Lisbon	•	-	-	Peking	S	29	84	Warsaw	F	15	59
Chicago	C	12	54	London	S	25	77	Prague	F	17	63	Washington	C	22	72
Cologne	S	25	77	Los Angeles	C	17	63	Reykjavik	C	12	54	Zurich	S	22	72
Copenhagen	F	17	63	Luxembourg	S	24	75								
Corfu	S	25	77	Madrid	F	27	81								
Dallas	•	-	-	Majorca	S	27	81								
Dublin	F	18	64	Malaga	S	27	81								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

UK poll backs full EMS role

Continued from Page 1

Barclays Bank, Prudential Corporation, Pilkington, RTZ and Lonrho, found majority support for tackling such issues as environmental protection, health and safety at work and professional qualifications on an EC basis.

The industrialists accept European Commission intervention in company takeovers – 39 per cent feeling that the final decision should be taken jointly by the Commission and the Monopolies and Mergers Commission.

The poll also revealed a readiness to accept new members into the EC "club." Four out of five would welcome Norway, Sweden, Austria, Finland and Switzerland as new members. One in five would support the entry of Yugoslavia and Hungary.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday June 16 1989

INSIDE

Alcatel answers the critics

When Alcatel of France linked with the European telecommunications business of ITT of the US, to form the continent's biggest telecommunications group, there was undisguised scepticism. Two-and-a-half years on, Philippe Glumtz, chief operating officer, claims that, while there is still a way to go, the group has made a number of significant achievements and is earning more money than many people expected. Terry Dodsworth reports. Page 25

On the scrap heap

One day scrap yards will be a thing of the past, and Europeans will insist that cars are made from materials that can be recycled or disposed of without harming the environment — creating greater demand for aluminium. That at least is the dream of Mr Theodor Tschopp, chairman of the European Aluminium Association, which claims that the metal it makes is environmentally friendly. Kenneth Gooding reports on the efforts to promote aluminium recycling in Europe. Page 32

Spain shines in the sun

Despite the heatwave enjoyed by much of continental Europe last month, the pace of equity trading on most bourses failed to warm up until the very last moment. Only Spain, which for the second month running showed the biggest rise in volume among the bourses covered, shook off the lethargy resulting from the strong dollar and anxiety about inflation and monetary tightening. Page 44

New house for the Cabbage Patch dolls

Coleco, the bankrupt US toy maker best known for the Cabbage Patch dolls, yesterday agreed to sell most of its assets to Hasbro Industries, the world's largest toy company, for $85m. The sale will transform Coleco, which only four years ago was considered one of the hottest growth stocks on Wall Street, into a shell company whose only important asset will be $100m worth of tax-loss carry forwards. Page 24

Decision time at MBS

Shareholders meet today to decide the fate of MBS, once the UK's largest personal computer distributor, but now stricken, having plunged £20m ($30m) into the red last year. On the face of it, the decision seems straightforward. The board is proposing the disposal of the core product sales division, responsible for the bulk of last year's spectacular losses, for a premium of £9m over assets. But the plan raises a number of possible objections. John Ridding reports. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Deut. Babcock	188.5	+	3	Club Med.	684	+	16
Karstadt	569	+	8.5	Epeda	1390	+	88
Kaufhof	510	+	10	UIF.	600	+	22
Falls				**Falls**			
Daimler	670.5	−	7.5	Essor	1320	−	61
Mannesmann	244.7	−	3.3	Finextel	202	−	20
Thyssen	250.3	−	2.9	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Nihon Matai	1280	+	120
Hilton Hotels	95⅞	+	2⅛	Tabai Espec	2300	+	380
Monsanto	105½	+	2½	Sekisui Polymer	824	+	160
Warner Comms.	56¼	+	1½	**Falls**			
Falls				Jeol	1480	−	110
Boeing	50	−	1⅜	Taito	1190	−	100
Philip Morris	139⅞	−	1⅛	Toagosei Chem.	1000	−	80
Time Inc.	172	−	3½				

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Ultramar	302½	+	7
Anglia Sec.	184	+	9	VSEL Cons.	465	+	7
BAT Inds.	692	+	16	Westbury	235	+	9
Bass	993	+	19	**Falls**			
Brookmount	585	+	58	Amersham Intl.	431	−	32
Dunhill Hldgs.	312	+	8	Bradstock Grp.	210	−	19
Greenall Whit.	287	+	8	Cable & Wire.	475	−	9
Guinness	501	+	7	London United	58	−	6
Leigh Ints.	314	+	10	Morgan Grenfell	280	−	8
Polly Peck	270	+	6	Racal Elec.	522	−	18
Thorn EMI	728	+	10				

Siemens and Matsushita in joint venture

By Haig Simonian in Munich

SIEMENS, the West German electronics and electrical engineering group, and Matsushita Electric, the Japanese consumer electronics conglomerate, are to pool some of their resources in such passive components as resistors and valves.

The move confirms the trend towards systematic co-operation and greater rationalisation in the international electronics industry.

The two companies are setting up a joint venture, Siemens-Matsushita Components, to manufacture and market a broad range of passive components. The new company will incorporate all five of Siemens's present passive component manufacturing facilities in four European countries and give Matsushita a bridgehead in the European components market.

The joint venture, which will have around 5,000 employees, will be capitalised at between DM100m ($49.5m) and DM150m and start with sales of DM700m to DM800m, according to Mr Klaus Ziegler, a general manager of Siemens. However, turnover should rise to DM900m to DM1bn within a couple of years, he said.

Siemens will initially own 74.9 per cent of the joint venture, which will involve its passive components division and Matsushita Electronic Components (Maco), the Japanese group's components division, which was spun off into a separate subsidiary in 1976.

Sales of Siemens's passive components amounted to about DM700m in its last business year, with some 80 per cent of output being sold in Europe. By contrast, about 90 per cent of Maco's total sales of $2.4bn were in Asia, with about half going to its parent company.

Matsushita's stake in the joint venture, which plans to start operations in October subject to regulatory approval, will rise to 50 per cent in the next two years. However, Siemens will retain a majority of the votes and the right to name the chief executive, said Mr Karlheinz Kaske, Siemens's chief executive.

While limited at the outset, Matsushita's direct involvement in the venture will gradually grow as the new company starts to manufacture Japanese-designed components in Europe and introduces Matsushita's highly-regarded automated production processes in its European factories.

While the agreement falls short of the wider link between Siemens and Matsushita that has been recently rumoured and advocated, for Siemens in particular, in parts of the German press, it carries strong incentives for both sides.

Passive components span a huge range of items, which depend on high-technology manufacturing and big economies of scale to achieve maximum price competitiveness.

Teaming up with Matsushita will allow Siemens to improve capacity utilisation at its European plants, while giving it access to Matsushita's component manufacturing technology.

"We have never concealed our view that alliances are one possible way of increasing volume and sharing the burdens of R&D and investment," said Mr Kaske.

Moreover, with consumer electronics groups currently absorbing some 40 per cent of world passive component sales, which amounted to DM27bn last year, linking up with Maco offers the new joint venture the prospect of substantial sales to Matsushita itself in future.

"We aren't just working with a producer of passive components, we're also working with one of its biggest buyers," noted Mr Kaske.

As with many other recent Japanese ventures in Europe, the appeal for Matsushita lies principally in the establishment of a European bridgehead in component manufacturing, especially in view of the growing Japanese concern about potentially higher European barriers to Japanese exports.

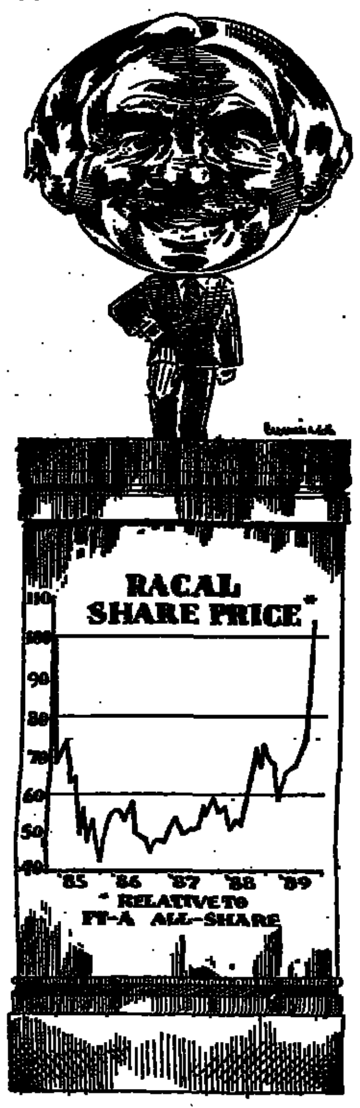
Supplying locally-made components to Matsushita's existing European assembly plants could also help to overcome possible future tougher European local content rules.

The Japanese group has already shifted three of its regional headquarters to Europe, North America and Asia, and the latest collaboration with Siemens marks its 27th joint venture, according to Mr Akio Tanii, Matsushita's president. Moreover, while Matsushita has tended to concentrate on passive components for consumer electronic goods, it may also be attracted by the spread in Siemens's passive components activities, which cover a wide spectrum beyond consumer electronics to include industrial applications.

Karlheinz Kaske: "alliances are one possible way of increasing volume and sharing burdens of R&D and investment"

Tapping the Vodafone line

Terry Dodsworth on Racal's switch from manufacturing to services



Sir Ernest Harrison: aims to move Racal into markets "where the money is"

Amid the hyperbole which currently surrounds anything to do with mobile telecommunications, it is hard to remember that just a year ago Racal Electronics was one of the City's favourite takeover stocks. Today, standing on a price-earnings ratio of around 30, and capitalised at £3.5bn ($5.3bn), Racal looks as safe as it is possible to get in a sector riddled with acquisition speculation.

Racal has achieved this enviable state through the flotation of 20 per cent of its Vodafone car telephone network operating company last October. Racal Telecom's shares have careered into the stratosphere from a launch price of 170p to 502p last night.

At this level, the telecommunications company has a market valuation of just over £5bn, and a Japanese-type p/e of around 80 – a premium of about 500 per cent to the sector.

The parent group has been pulled along to its present position in the wake of the Racal Telecom share price. Nevertheless, the City is putting a higher value on the 80 per cent Racal Electronics still owns in the telephone company than the group as a whole.

This paradox partly arises from the extraordinary degree of excitement that is now evident around the world in mobile telephone systems; but it also reflects scepticism over the rest of Racal's activities at a time when it is going through a radical change of strategy.

The main thrust of this shift of direction is clearly seen in the development of the mobile telecommunications division. Racal, the roots of which lie in manufacturing electronic equipment for the military market, is now attempting to become largely a service company in the mould of Vodafone.

In the words of Sir Ernest Harrison, Racal's chairman, this week: "Our strategy is to move away from products which are in competitive markets and go into systems and networks – that is where the money is."

According to the company, the critical starting date in this re-focusing process was back in 1981. Racal at that time was highly dependent for its profits on the OPEC oil-producing countries, which in the previous decade had gobbled up its military communications equipment. This market, the directors decided, could not last indefinitely, so Racal began to look around for alternatives.

One of these growth businesses, data communications, was already present in the group following the acquisition of the US Milgo company in 1977; the opportunity to go after one of the two UK cellular mobile licences came up in 1982; and two years later the company bid for the Chubb group to add a security division as well.

These three businesses are now regarded as the mainline operations within the group. Any of the other activities "could be sold if we got the right offer" as Racal puts it, although some, such as the Racal-Redac software engineering division, are still being expanded.

On the military side, Sir Ernest says he would prefer a joint venture and collaborative tendering rather than a sale, but he has not ruled out a straight divestment.

Overall, manufacturing jobs have probably declined to less than 50 per cent of the total payroll of 36,000, from about 80 per cent at the start of the 1980s.

One of the problems with Racal's strategy is that it is inevitably taking a relatively long time to work through. The move into mobile telecommunications was, in hindsight, a masterstroke, because it allowed the group to make an entirely new start in an area which did not involve restructuring of any existing assets.

But in the rest of the business, the shift into a service orientation has meant closures, sales, acquisitions and changes in the workforce of the type that soak up management time.

Racal recognised this strain on resources last year at the time of the Vodafone share flotation. Arguing against pressure to force it to float off the group into a separate entity, Sir Ernest said that he wanted to raise cash from the telecommunications business to plough into the other activities. These had been starved of attention, he said, during the build-up period at Vodafone.

The difficulties were evident last year in the data communications division, where operating profits fell to £26.8m from £35.1m, despite an 11 per cent jump in turnover to £288m.

This business has already shifted heavily towards a service and software content – Racal says that 20 per cent of its revenues come from maintenance income, while about 50 to 60 per cent of today's contracts are in software and systems. But Racal-Milgo originally started as a hardware manufacturer and it is still trying to achieve a balance between this activity and software.

Racal believes that it needs to make some specialised equipment in this business to give it an edge in the market, just as in the security division it depends on selling hardware products to secure its maintenance contracts. But in the longer-term, its big ambitions in the data communications field now centre on its data network division, which last year won a big contract with the British Government.

Data networking involves the establishment, and sometimes the running of private telephone systems for big clients. As the telecommunications industry is increasingly liberalised this market could be one of the big growth industries of the 1990s.

Shareholders, however, will have to be patient. Racal is forecasting its total turnover from networking at £1bn over the next 10 years, with half coming from the Government network, and half from private clients.

The Government network alone will require £50m of investment, and it will take five years to break into profit.

This is no longer than Racal took to develop the Vodafone business; but it goes to show the price of making the move into the service sector.

BSN buys Greek brewer

By George Graham in Paris

BSN, the French foods group which last week embarked on a $2.5bn acquisition of five biscuits and snacks companies from RJR Nabisco, has hit the takeover trail again with the purchase of Henninger Hellas, Greece's second largest brewer.

No price was disclosed for the acquisition. The French group, which is Europe's second largest brewer with its Kronenbourg lager brand, has over the past few years been expanding its European network through a series of alliances with other brewers.

Henninger Hellas has 30.5 per cent of the fast-growing Greek beer market, which has expanded by 35 per cent over the last five years.

It brews 1.1bn hectolitres a year and has sales totalling around Dr8.7bn ($51m) a year.

In Belgium, BSN merged its subsidiary Alken-Kronenbourg with the Belgian brewer Maes, and now has 50 per cent of Alken-Maes which, with a market share of 18 per cent, ranks second in the country behind Stella Artois.

In Italy, the company transferred its subsidiary Wührer to Peroni, the market leader. In exchange it received a 20 per cent stake in Peroni, which now accounts for 35 per cent of the Italian market.

In Spain, meanwhile, BSN has one third of Mahou, the number four in the market, and it has franchising agreements for Kronenbourg in the UK with Courage and Harp.

Abbey sets share price at 130p

By Clare Pearson in London

ABBEY NATIONAL yesterday announced a 130p per share price tag for its £1.7bn ($2.55bn) stock market flotation, which will mark the final stage in its long process of conversion from Britain's second biggest building society to a public company.

The price, which will raise £975m of new money, and £890m after expenses, was seen as attractive in the City yesterday and analysts suggested the shares could rise to between 145p and 160p when stock market dealings commence next month.

The historic price/earnings ratio is 5.3 and the notional gross dividend yield is 7.9 per cent, assuming the new shares had been in issue throughout 1988. Analysts said the shares compared favourably with prices of shares in the British clearing banks, the Scottish banks and TSB, the banking group seen as most similar to Abbey.

However, the society's lending activities have been hit by the sharply deteriorating UK housing market and this was reflected in the setting of the share price towards the bottom end of the earlier indicated range of between 120p and 160p.

Yesterday's prospectus forecast profits for the half-year to the end of this month at £195m, compared with £208m in the same period of 1988 and a range of £185m to £210m predicted earlier this year.

Yesterday morning's announcement literally brought the house down as, to mark the launch of the prospectus, a model house set up on the lawn of the Honourable Artillery Company in the City of London exploded to reveal the share price and last application date inscribed on its inner walls.

The scene gained a Buster Keaton-like quality when Sir Campbell Adamson, Abbey's chairman, and Mr Peter Birch, chief executive, strode calmly out of the ruins into the sunshine.

Abbey's 5.6m qualifying savers and borrowers will receive free 100 shares – 200 if they both save and borrow with Abbey – and over the next few days they will receive application forms to buy a minimum of a further 100 shares from the 750m on offer.

No shares are being offered to non-members, and Abbey has incorporated a number of features to encourage maximum take-up from members, including personalised application forms.

About half of the £890m net proceeds of the offer will be applied to enable Abbey to meet the capital requirements of its new regulator, the Bank of England. Upgrading distribution network technology will absorb much of the rest.

Lex, Page 20

Japanese swallow Thermos to serve home picnic fans

By Gordon Cramb

THERMOS, the 82-year-old US vacuum flask brand which is synonymous with summer picnics, has been sold to the Japanese for $134m.

Nippon Sanso, a producer of industrial gases, said yesterday that it had agreed to buy Thermos from Household International, an Illinois consumer finance company which is shedding its manufacturing interests.

The deal reflects not only Japan's thirst for US acquisitions but also the countries' shared love of outdoor eating. Nippon Sanso makes stainless steel vacuum containers, in which it has a 40 per cent share of a growing domestic market.

Thermos, which Household has owned for more than 20 years, had 1988 sales of $194m. In addition to its glass or steel-lined flasks it makes lunch boxes and coolers and recently launched a gas-fuelled barbecue line.

Ironically, the company suffered last year because of what a Household official described as "a terribly hot summer," which kept Americans in the air-conditioned indoors. But Thermos remained profitable, and attracted over 400 enquiries when Household said in January that it would focus on its loans business.

Nippon Sanso said that the purchase would position it well for the European market, which Thermos supplies from a UK base in Brentwood, Essex.

Two years ago the Tokyo company began expanding in food processing and consumer products – aiming to apply the technologies developed in its gases operation. Such activities now account for nearly a third of total sales, which approach $1bn.

Hispano mulls 5% stake in Commerzbank

BANCO HISPANO Americano, one of Spain's seven big commercial banks, is negotiating to buy a 5 per cent stake in Commerzbank, the third largest West German bank.

Commerzbank already owns 10 per cent of Banco Hispano. The Spanish bank's move mirrors the strategy of Banco Santander, which bought 10 per cent of Royal Bank of Scotland last year in the boldest move made abroad by a Spanish bank.

Both Spanish banks want to extend their reach beyond Spain before the creation of a single European market in 1992 without having to establish their own banks in foreign retail markets.

Commerzbank bought its stake in Hispano in 1983, just before the Spanish bank ran into problems because of its purchase in the early 1980s of Banco Urquijo.

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Hispano eyes Commerzbank stake

By Peter Bruce in Madrid

BANCO HISPANO Americano, one of Spain's seven big commercial banks, is negotiating to buy a 5 per cent stake in Commerzbank, the third largest West German bank, Hispano officials confirmed yesterday.

The representatives said that it was too early to say when, or if, the purchase would go through, or how much the stake would cost.

Commerzbank already owns 10 per cent of Banco Hispano, and the two banks, along with Crédit Lyonnais and Banco di Roma, are members of Europartners, a loose banking consortium.

Hispano's move mirrors strategy at Banco Santander, which bought 10 per cent of Royal Bank of Scotland during last year in the boldest move ever made abroad by a Spanish bank.

In return, Royal Bank of Scotland took 5 per cent of Banco Santander. Both Spanish banks want to extend their reach beyond Spain before 1992 without having to establish their own banks in foreign retail markets.

Commerzbank bought its stake in Hispano in 1983, just before the Spanish bank ran into problems because of its purchase in the early 1980s of Banco Urquijo, which it had rescued when Urquijo was near bankruptcy.

Hispano failed to pay a dividend for 1984 but has since recovered, reporting net profits of Pta9.5bn in 1986 and Pta27.9bn ($215m) last year, when it also sold off Banco Urquijo to the March Group for Pta54bn.

Mr Claudio Boada, Hispano's chairman, and Mr Walter Siepp, Commerzbank's chief executive, are likely to continue their talks this weekend during a meeting of the Europartner banks scheduled to take place in Monte Carlo, Monaco.

Mr Boada has been particularly keen to reach an agreement with Commerzbank as the other two Europartner members are controlled by their respective Governments. His idea is that Hispano and Commerzbank would represent each other in Spain and West Germany and that this would make it unnecessary for another large European bank to enter the Spanish retail market.

Unlike Santander, which, before its link-up with Royal Bank of Scotland, had bought small retail networks in West Germany, Belgium and Italy, Mr Boada is dead set against Hispano trying to do retail banking on its own outside Spain.

● Wednesday's news story on Torras Hostench wrongly stated that the company's shares are listed in London and New York.

BSN gulps down Greek brewing group

By George Graham

BSN, the French foods group which last week embarked on the $2.5bn acquisition of five biscuit companies from RJR Nabisco, has hit the takeover trail again with the purchase of Henninger Hellas, Greece's second largest brewer.

No price was disclosed for the acquisition. The French group, which is Europe's second largest brewer with its Kronenbourg lager brand, has over the past few years been expanding its European network through a series of alliances with other brewers.

Henninger Hellas has 30.5 per cent of the fast-growing Greek beer market, which has expanded by 35 per cent over the last five years. It brews 1.1bn hectolitres a year in its three plants in Thessalonika, in northern Greece, Atalanti, in the centre, and Heraklion, in Crete, with sales of around Dr8.7bn ($50.3m) a year.

In Belgium, BSN merged its subsidiary Alken-Kronenbourg with the Belgian brewer Maes, and now has 50 per cent of Alken-Maes, which ranks second in the country behind Stella Artois with a market share of 18 per cent.

In Italy, the company transferred its subsidiary Wührer to Peroni, the market leader. In exchange it received a 20 per cent stake in Peroni, which now accounts for 35 per cent of the Italian market.

In Spain, meanwhile, BSN has one third of Mahou, the number four in the market, and it has franchising agreements for Kronenbourg in the UK with Courage and Harp.

Lower margins set to chop Framatome profit by 31%

By George Graham in Paris

FRAMATOME, the French nuclear plant builder which has diversified into electrical connections equipment with the acquisition of Burndy in the US and Souriau in France, is forecasting a sharp drop in earnings this year.

Group net profits are expected to fall by 31 per cent to FFr732m ($106m) this year, despite an 80 per cent increase in turnover to FFr19.69bn.

Mr Jacques Fettu, finance director, said the decline in profitability was due to the company receiving payment later this year for Superphenix, the prototype fast breeder reactor, on which it will barely break even.

Superphenix will account for FFr8.44bn of turnover this year, while billings on conventional pressurised water reactors, where profit margins are considerably higher, will drop to FFr5.09bn from FFr8.7bn in 1988.

The newly-acquired electrical connections subsidiaries, which are expected to generate sales of FFr3.66bn this year, also have much lower profit margins than Framatome's traditional nuclear business, though Mr Fettu said they were in the black.

Framatome has seen its order book dwindle as the French nuclear programme nears completion and foreign nuclear plant orders are largely frozen in the face of public opposition, but Mr Jean-Claude Leny, the group's chairman, said that it would continue to work on research and development in order to be ready for a revival in the nuclear market.

"I think we will see a recovery for nuclear power, though not immediately – certainly not less than five years, and probably closer to ten than to five," he said yesterday.

In the meantime, Framatome is collaborating on new nuclear plant orders with its West German competitor, Siemens, and is making slower progress on an alliance with Babcock & Wilcox, a subsidiary of McDermott of the US.

Also, it is seeking to develop the engineering activities it inherited from the now-defunct Creusot-Loire group. Mr Leny said he was working on a merger between Framatome's heavy engineering activities and those of Neyrpic, a Grenoble-based hydraulics and turbines company.

As for the newly-acquired electrical connections activities, Mr Leny said Burndy was in good shape, except for its US electronics division, which required restructuring to cope with the excessive dispersion of its manufacturing sites. Souriau, whose acquisition is due to be completed by the end of the month, was heavily indebted and would require an injection of capital, Mr Leny said.

The injection is not expected to pose any financing difficulty, since Framatome expects to have FFr7.86bn of net cash at the end of 1989, with only FFr2.03bn of long term debt.

British Steel surges by 42% to £593m

By Nick Garnett in London

BRITISH STEEL, which was privatised at the end of last year, raised pre-tax profits by 42 per cent from £419m to £593m ($901m) in the year ended April 1, on turnover up by almost a fifth at £4.91bn.

Trading profit increased from £424m to £656m and earnings per share from 20.5p to 28.0p.

The figures were in line with City expectations but analysts were surprised at exceptional charges of £140m (last year these were £36m) which related mainly to redundancy and rationalisation costs.

Sir Robert Scholey, chairman, said that the trading results were very good, but he was concerned at the possible effects of interest rate rises and inflation on UK customers.

He also warned that, though demand and price margins were stable, the European steel industry was expecting a downturn in demand, possibly in the first quarter of next year.

Demand now was probably about 10 per cent higher than would be expected from normal demand patterns.

Improvements came from increased sales, up 7 per cent, an average increase in prices of 10 per cent and productivity improvements. Higher prices contributed £125m to pre-tax profits, while increased sales volume and a better mix of products contributed £110m.

Efficiency improvements included a reduction in hours worked per tonne from 5 to 4.7 and an increase in the percentage of steel produced by the continuous casting method to 85 per cent. Capital expenditure amounted to £307m, an increase of £54m.

The company had a net cash position of £342m at the end of the financial year. Sir Robert said that British Steel was looking for joint ventures with other steel companies in Europe and possibly in North America, but no firm discussions were taking place.

The company has expressed an interest in acquiring part of the Klöckner operation in West Germany but there has been no interest from the other side.

British Steel also wants to extend its downstream activities. It has done so in construction and coated steels, but analysts believe that the company might move into higher value-added products, such as basic components for the motor industry.

Overseas shareholders now hold about 30 per cent of the equity. Directors are recommending a single final dividend of 5p net per share, payable in August. This is considered equivalent to 7.5p on a full-year basis.

Nobel dips in first four months

By Robert Taylor in Stockholm

NOBEL INDUSTRIER, the Swedish industrial conglomerate with interests in armaments and chemicals, yesterday reported that profits after financial items fell to SKr205m ($30m) in the first four months of 1989 from SKr258m in the January-April period of 1988.

The fall came despite a 16 per cent increase in sales from SKr6.66bn to SKr7.71bn.

The best performances were in the biotechnology division with a positive improvement in both sales and profits; the pulp and paper chemicals area where there was a 50 per cent jump in after-tax profits and a 25 per cent increase in sales, and in ordnance.

The group said it was not possible to make any profit prediction for the whole year on the basis of the first four month's results because of the restructuring in the company.

Nobel also said it had agreed to sell the Scandinavian and European plant protection operations of its KenoGard offshoot to Rhône-Poulenc, the French state-controlled chemicals group. The units being sold have total annual sales of SKr180m, and the deal is in line with Nobel's consolidation of its main businesses.

● MoDo, the Swedish forest products group, reported profit after net financial items for the first four months of 1989 of SKr693m and sales of SKr6.37bn. The company did not provide comparative figures because of its acquisition in April 1988 of Holmens Bruk and Iggesunds Bruk.

Sweetened $275m bid for Dunkin' Donuts

By Our Financial Staff

THE BATTLE for control of Dunkin' Donuts, the US doughnut outlet franchiser and operator, heated up yesterday when DD Acquisition launched a sweetened $275m tender offer for all the company's shares.

DD, formed by Kingsbridge Capital Group, a subsidiary of Unicorp Canada, the Toronto conglomerate, and Cara Operations, is offering $43 for each of the Massachussetts company's shares.

Kingsbridge has already acquired a 12 per cent stake in Dunkin' Donuts. Dunkin', which has about 6.4m shares outstanding, has previously rejected a $42 per share acquisition offer by Kingsbridge and has said that it was not interested in being acquired.

DD said the tender offer and withdrawal rights would expire on July 13 unless extended. The offer is conditional on receipt of enough shares to give DD 75 per cent of the voting stock of Dunkin' on a fully diluted basis and on Dunkin' redeeming its defensive preferred stock purchase rights or DD finding the rights inapplicable.

DD said the offer is also conditional on it being satisfied that Delaware antitakeover law restrictions would not hinder the offer and on the arrangement of financing.

DD says it has filed suit in Delaware against Dunkin' Donuts, its board and General Electric's General Electric Capital unit, challenging defensive actions by Dunkin', including the issue of shares to an employee stock ownership plan, the issue of cumulative convertible preferred stock to GE Capital and the implementation of a stock repurchase programme.

The company said the suit alleges that the actions breached the fiduciary duties of the individual defendants to Dunkin' shareholders and seeks the prohibition of further stock sales to the ESOP, the voting of the shares issued to GE capital and further share repurchases.

It said the suit also asks that the defendants be required to redeem the defensive rights and rescind the issue of securities to the ESOP and GE Capital. Cara Operations and its franchisees own family-style and fast-food restaurants.

Springer holds 1988 dividend

AXEL SPRINGER Verlag, West Germany-s largest publishing company, is to keep its dividend unchanged at DM12 for 1988, reports AP-DJ.

The company said a total of DM40.8m will be paid out to shareholders. Springer's group net earnings for 1987 rose 2 per cent to DM96.4m (DM94.5m). Turnover rose 4.5 per cent to DM2.78bn from DM2.66bn.

US bank to assess offers for Meridian

By Our Financial Staff

INSPECTORATE International, the Swiss inspections, testing and services group, has hired Wasserstein Perella, the US investment bank, to help it evaluate offers for its Meridian International computer leasing subsidiary.

Meridian is Europe's largest independent computer-leasing company, said Inspectorate. It has 30 offices, owns equipment worth more than $3bn and expects turnover this year of more than $600m.

Wasserstein Perella will examine offers that Inspectorate has received for Meridian, and its potential for joint ventures and mergers, Inspectorate said.

"Although it was not our plan originally to sell Meridian International, we have received offers that are worth a thorough review," said Mr Yves Paternot, chief executive.

NOMURA

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 15th June, 1989

AMADA SONOIKE CO., LTD.

(formerly "Sonoike Mfg. Co., Ltd.")

U.S.$100,000,000

4⅛ per cent. Guaranteed Bonds due 1993

with

Warrants

to subscribe for shares of common stock of Amada Sonoike Co., Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Dai-Ichi Kangyo Bank, Limited

ISSUE PRICE 100 PER CENT.

Nomura International — Daiwa Europe Limited

DKB International Limited

Barclays de Zoete Wedd Limited — Baring Brothers & Co., Limited
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Dresdner Bank — Robert Fleming & Co. Limited
HandelsBank NatWest — Kleinwort Benson Limited
Manufacturers Hanover Limited — Merrill Lynch International Limited
Mitsubishi Trust International Limited — Mitsui Finance International Limited
Morgan Grenfell & Co. Limited — NatWest Capital Markets Limited
The Nikko Securities Co., (Europe) Ltd. — Nippon Kangyo Kakumaru (Europe) Limited
Saitama Finance International Limited — Salomon Brothers International Limited
J. Henry Schroder Wagg & Co. Limited — UBS Phillips & Drew Securities Limited

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NEW ISSUE — 15th June, 1989

DAIWA HOUSE INDUSTRY CO., LTD.

(Daiwa House Kogyo Kabushiki Kaisha)

U.S.$800,000,000

4 per cent. Bonds due 1993

with

Warrants

to subscribe for shares of common stock of Daiwa House Industry Co., Ltd.

Issue Price 100 per cent.

Nomura International — Daiwa Europe Limited
The Nikko Securities Co., (Europe) Ltd. — Yamaichi International (Europe) Limited
Sumitomo Finance International — Tokai International Limited
Fuji International Finance Limited — S.G. Warburg Securities

Kleinwort Benson Limited — KOKUSAI Europe Limited
Mitsui Trust International Limited — Salomon Brothers International Limited
UBS Phillips & Drew Securities Limited — Cosmo Securities (Europe) Limited
New Japan Securities Europe Limited — Baring Brothers & Co., Limited
Credit Suisse First Boston Limited — Dai-Ichi Europe Limited
Robert Fleming & Co. Limited — Goldman Sachs International Limited
Maruman Securities (Europe) Limited — Meiko Europe Limited
Merrill Lynch International Limited — Mitsubishi Finance International Limited
Morgan Grenfell & Co. Limited — J. P. Morgan Securities Asia Ltd.
Morgan Stanley International — Nippon Kangyo Kakumaru (Europe) Limited
Okasan International (Europe) Limited — Sanwa International Limited
Sanyo International Limited — J. Henry Schroder Wagg & Co. Limited
Shearson Lehman Hutton International — Wako International (Europe) Limited
Yamatane Securities (Europe) Limited — Banque Bruxelles Lambert S.A.
Banque Indosuez — Barclays de Zoete Wedd Limited
BNP Capital Markets Limited — Cazenove & Co.
Commerzbank Aktiengesellschaft — Deutsche Bank Capital Markets Limited
DKB International Limited — Kosei Europe Limited
NatWest Capital Markets Limited — Norinchukin International Limited
Taiheiyo Europe Limited — Taiyo Kobe International Limited
Tokyo Securities Co. (Europe) Ltd. — Universal (U.K.) Limited

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NEW ISSUE — 15th June, 1989

MITSUKOSHI, LTD.

U.S.$400,000,000

4 per cent. Bonds 1993

with

Warrants

to subscribe for shares of common stock of Mitsukoshi, Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International

Mitsui Finance International Limited — Daiwa Europe Limited
The Nikko Securities Co., (Europe) Ltd. — Yamaichi International (Europe) Limited

KOKUSAI Europe Limited — Bank of Tokyo Capital Markets Group
Barclays de Zoete Wedd Limited — Baring Brothers & Co., Limited
DKB International Limited — Fuji International Finance Limited
Merrill Lynch International Limited — Morgan Stanley International
Salomon Brothers International Limited — Sanyo International Limited
Shearson Lehman Hutton International — Sumitomo Finance International
Taiheiyo Europe Limited — S.G. Warburg Securities
Banque Indosuez — Deutsche Bank Capital Markets Limited
Robert Fleming & Co. Limited — Goldman Sachs International Limited
Kleinwort Benson Limited — National Securities of Japan (Europe) Ltd.
New Japan Securities Europe Limited — Nippon Kangyo Kakumaru (Europe) Limited
Okasan International (Europe) Limited — Société Générale
Swiss Bank Corporation — Tokyo Securities Co. (Europe) Ltd.
Universal (U.K.) Limited — Wako International (Europe) Limited

Yamatane Securities (Europe) Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 15th June, 1989

NICHIREI CORPORATION

U.S.$150,000,000

4⅛ per cent. Bonds due 1993

with

Warrants

to subscribe for shares of common stock of Nichirei Corporation

Issue Price 100 per cent.

Nomura International — Yamaichi International (Europe) Limited
Fuji Inernational Finance Limited — The Nikko Securities Co., (Europe) Ltd.

Daiwa Europe Limited — DKB International Limited
Algemene Bank Nederland N.V. — Bank of Tokyo Capital Markets Group
Baring Brothers & Co., Limited — Robert Fleming & Co. Limited
Goldman Sachs International Limited — IBJ International Limited
Kleinwort Benson Limited — KOKUSAI Europe Limited
Marusan Europe Limited — Merrill Lynch International Limited
Morgan Grenfell & Co. Limited — Morgan Stanley International
New Japan Securities Europe Limited — Nippon Kangyo Kakumaru (Europe) Limited
Norinchukin International Limited — Okasan International (Europe) Limited
Paribas Capital Markets Group — Salomon Brothers International Limited
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INTERNATIONAL COMPANIES AND FINANCE

Hasbro buys Coleco assets for $85m

By Anatole Kaletsky in New York

COLECO, the bankrupt US toy maker which only four years ago was considered one of the leading growth stocks on Wall Street, yesterday agreed to sell most of its assets to Hasbro Industries, the world's largest toy company.

The sale, for $85m, will transform Coleco into a shell company whose only important asset will be $100m worth of tax-loss carry-forwards.

Four years ago, at the height of a worldwide craze for Cabbage Patch dolls, Coleco's most successful but mercurial product, the company was capitalised at more than $1bn on Wall Street and was making an annual profit of $64m. Its shares, which are now worthless, peaked at $65 in a speculative rush on Wall Street that year.

Coleco used the profits from its Cabbage Patch bonanza to promote other dolls and action figures, including an unsuccessful series based on Rambo, the bloodthirsty film character.

It also invested its sudden riches to acquire such high-priced brand names as Scrabble and Trivial Pursuit, the internationally best-selling board games.

However, it bought the company which owned these, Selchow & Righter, just after the peak of Trivial Pursuit's success. A year after Coleco acquired the game, Trivial Pursuit's worldwide sales had fallen to $15m, from $300m in 1984.

Coleco blundered further in overpaying for the US subsidiary of Tomy Kogyo, one of Japan's leading toy makers.

As a result of yesterday's deal with Hasbro, which has been cleared by creditors' committees but which still requires approval from the bankruptcy court, unsecured creditors with roughly $420m worth of claims against Coleco should receive repayment of about 25 cents in the dollar.

However, Carlyle Capital Group, the main secured creditor, will make a substantial profit from the arrangement. Although it will receive only about $75m in repayment of debts with a face value of $90m, Carlyle bought these loans from Coleco's bankers just after the bankruptcy filing last July for about $50m.

COB urges groups to modify vote curb plans

By George Graham in Paris

THE COMMISSION des Operations de Bourse (COB), the French stock market regulatory authority, has asked two French companies to modify their plans to limit their shareholders' voting rights.

The two companies, Compagnie Générale d'Electricité (CGE), the privatised telecommunications and engineering group, and Lafarge Coppée, the cement company, had not received any official notification yesterday, but COB officials confirmed they had sent letters asking for some changes to the proposals.

However, no objection has been made to the principal of limiting voting rights, which the COB says is allowed in French company law.

The two schemes are very different in character, but the CGE proposals, in particular, have been criticised as an infringement of shareholders' rights.

CGE wants to place an upper limit of 8 per cent on voting rights. Lafarge, on the other hand, plans no absolute limit, but wants to reduce voting rights in line with attendance at its shareholders' meetings. At last year's assembly only 32 per cent of the shares were represented, making it theoretically possible for someone to take control of the company with only 16 per cent of its capital.

The changes sought by the COB would not block the limitations completely. In CGE's case, the regulatory authorities insist the limit should be applied uniformly – the original scheme would not apply to proxies exercised by the chairman – and that it should not attempt to restrict shares held indirectly.

For Lafarge, too, the COB wants the pro rata reduction to apply uniformly; the company had planned to apply it only to stakes above 1 per cent.

The proposals, both of which are due to be put to shareholders' assemblies next week, have created considerable confusion over the Government's policy on corporate defences against takeover.

Carrington joins board of Hollinger

By David Owen in Toronto

MR CONRAD BLACK, chairman and chief executive, of Hollinger, the Toronto-based newspaper company, has welcomed three more distinguished figures to his company's inordinately star-studded board of directors.

Lord Carrington, the former UK Cabinet minister and Nato secretary general, Mr Robert Campeau, the mercurial purchaser of Bloomingdale's, and Mr Allan Gotlieb, the former Canadian ambassador to the US, duly took their places on a board which already reads like a Who's Who of prominent Canadian business families.

Fellow director Dr Henry Kissinger was among those on hand at the company's otherwise uneventful annual meeting, held in the bowels of a downtown Toronto office tower.

In his chairman's remarks, Mr Black reiterated Hollinger's intent to increase further the UK Daily Telegraph's pre-tax profit margin over and above the 13 per cent of overall revenues attained last year.

In 1988 the 82.3 per cent-owned subsidiary earned profits, before tax and extraordinary items, of £29.2m (US$44m) on £210m in sales. Hollinger itself had earnings of C$35.5m (US$30m), including a C$4.6m special charge, on revenue of C$891.5m.

Regarding other publications, Mr Black projected that The Spectator would reach break-even within a year, "given favourable economic conditions," but admitted that losses at Saturday Night were "somewhat greater than had been foreseen" in Hollinger's first year of ownership.

He promised "appropriately comprehensive measures" to ensure that unacceptably high losses at Le Droit, the Ottawa tabloid, did not continue into 1990.

Later, Mr Black confirmed that the price Hollinger recently paid for 75 per cent of the Jerusalem Post was about US$17m. However, he indicated that certain property and printing assets could be liquidated effectively to reduce the price.

He said that Hollinger would like to play "a benign, non-controlling role" in United Newspapers, in which the group recently bought a small stake.

Exxon ends ill-fated Zilog link

By Louise Kehoe in San Francisco

EXXON, the US oil group, has sold Zilog, its Silicon Valley semiconductor manufacturing subsidiary, ending a decade-long ill-fated attempt at diversification into computer and chip technology.

Taking control of Zilog are the company's management group and a leading US venture capital fund managed by Warburg, Pincus Capital, which will be the majority owner.

Terms of the transaction were not revealed. Zilog managers said, however, that Exxon would no longer hold a stake in the company and that the all-cash transaction was "substantial." Exxon is not believed to have recouped the heavy investments that it has made in Zilog over the past eight years.

As an early leader in the market for microprocessors, the chips used to power personal computers, Zilog lost out to competition from Intel and Motorola, which now dominate.

Following a period of heavy losses in the mid-1980s, Zilog's current management group instituted wide-ranging cutbacks.

Mr Ed Sack, Zilog's president, said that since March 1986 the company had been profitable and sales had grown at a rate of 20 per cent a year. Revenues were in the region of $100m last year, he added.

Celebrating their new-found independence, Zilog's managers said they planned to focus on the market for application-specific integrated circuits for use in a broad range of consumer, data communications and computer products.

Micron slips despite sales gain

By Louise Kehoe

MICRON TECHNOLOGY, the US memory chip manufacturer, has reported a strong increase in sales for the third quarter ending June 1.

However, profits were down slightly, reflecting the company's heavy investment in expanded production capacity and the development of a new generation of four-megabit dynamic random access memory (Dram) chips.

Revenues for the quarter were $119.2m, a 39 per cent increase over the $85.6m posted in last year's period. Net income of $38.8m was down from $39.3m in the year-earlier period.

Earnings per share were 75 cents compared with 98 cents, diluted by the sale for $75m of 3.5m newly issued shares to Amstrad, the British personal computer manufacturer, in October 1988.

For the first nine months of fiscal 1989, revenues totalled $343.4m. Net income was $90.1m and earnings per share were $2.37. These results compare with revenues of $187.1m, net income of $54.7m and earnings per share of $1.88 for the first nine months of 1988.

Hilton Hotels draws up defensive lines

By Anatole Kaletsky

HILTON HOTELS, the big US gaming and hotel group which has recently been at the centre of Wall Street takeover speculation, has announced that it asked its investment bankers to evaluate all financial options to enhance shareholder values.

This form of words is often used by US businesses which are considering a break-up, leveraged buy-out or recapitalisation. Hilton's shares were up $2¾ to $97¾ in heavy trading yesterday.

The company, whose shares were selling for only $40 last summer, began to draw takeover speculators' attention last autumn as a long-running dispute between the heirs of Mr Conrad Hilton, the group's founder, approached a settlement. The suits were finally resolved last spring, giving Mr Baron Hilton, the founder's son, voting control, although not ultimate ownership of 25 per cent of the company's stock.

One feature of the settlement was that Mr Hilton was prevented from selling these shares for less than $75 each.

While Hilton's shares stood at less than $50 at the time the settlement was announced, they jumped to more than $70 in May when Mr Hilton indicated he would be prepared to consider friendly bids.

Brascan sheds Scott Paper warrants

By Robert Gibbens in Montreal

BRASCAN, the big holding company of Messrs Peter and Edward Bronfman of Toronto, has sold the last of its interest in Scott Paper of the US to Scott.

The remaining interest, sold for US$200m, was in the form of warrants received by Brascan in 1985 as part payment for a big block of Scott common shares repurchased by the US company.

The warrants expire in 1992, allowing the holder to buy one Scott common share at US$22.50 each.

Scott had earlier thwarted attempts by the Bronfmans to acquire control. At one time Brascan owned more than 20 per cent of Scott.

● Trizec, North America's largest publicly quoted real estate developer, also owned by the Bronfmans, has reported earnings of C$46.8m (US$39.3m) or 28 cents a share in the first half ended April 30, up from C$43.8m or 25 cents a year earlier.

Revenues were C$538m against C$471m.

Trizec has more than C$2m of new construction in progress in North America.

Milken to form own company

MR MICHAEL Milken, former head of junk bonds at Drexel Burnham Lambert, the US investment bank, is to form his own firm to give financial advice to individuals, communities and companies, Reuter reports from New York.

Mr Milken has been on leave of absence from Drexel since being charged by the US Government with a variety of securities violations.

Mr Milken said his firm would be known as International Capital Access Group, which would emphasise the creation of ownership opportunities for employees, minorities and unions.

INTERNATIONAL COMPANIES AND FINANCE

Alcatel cocks a snook at its critics

Terry Dodsworth on the telecoms success that has surprised some

You would not expect Mr Philippe Gluntz, chief operating officer of Alcatel, to have forgotten the reaction to the launch of the company as Europe's biggest telecommunications group two and a half years ago. But what keeps the memory particularly alive to him is the undisguised scepticism that greeted the merger which formed the parent group.

"We are not yet making as much money as we believe we should," says Mr Gluntz. "But we are doing much better than a lot of people were expecting, because of the cost of the merger and the restructuring."

The main concerns about Alcatel's future at the time of the deal centred on its ability to weld two very different organisations while coping with their distinct product lines.

The French company which became one half of the merged business had been one of the pioneers of electronic digital switching, with its E10 exchange; its partner, the European telecommunications business of ITT of the US, was in the middle of a troubled launch of the more up-to-date System 12 digital exchange. Alcatel, the critics said, would be stuck with the cost of supporting a fragmented product range without the scope to make the operating economies which should flow from a merger.

Mr Gluntz concedes that the group has a long way to go yet. But he lists a handful of achievements which, in his view, have already justified the deal.

● Work on the next generation of switching products, which will allow telephone lines with greater capacity to be used, is more advanced than seemed possible two years ago. These products will overlay the present switching network to provide special services, so they will not replace either the E10 or System 12, but they will be common to the whole group and so available to be fixed to networks run by either of the inherited switches or elsewhere.

● An active policy of disposals and acquisitions has given the group a more precise focus on telecommunications. Alcatel has sold the television division inherited from ITT to Nokia of Finland, and it has dropped out of personal computer manufacture. The group now has five divisions: public switching, accounting for about 25 per cent of sales; cable (25 per cent); office telephones and terminal equipment (25 per cent); transmission (14 per cent); and professional electronics (11 per cent).

● It has consolidated its position in office products by linking the sales teams of the two founding companies and filling out the product ranges by drawing on the resources of both businesses.

Alcatel now claims to be the market leader in Europe in this sector, with products such as office telephone exchanges, telexes, telephone handsets and facsimile machines. "What we are doing is bringing together the best from ITT and the old Alcatel in a common distribution network," says Mr Gluntz. "This is helping us particularly in southern Europe."

● In transmissions, the company is close to achieving a single product range. At the same time, Alcatel claims to be increasing its market share. "ITT had the position in the market and a distribution organisation, but it didn't have the products. Alcatel had the products but not the markets. By combining the two we have made big advances in Spain, Italy and Portugal, where ITT had been a strong player in telecommunications."

● The company has pushed into the fast-developing area of satellite transmission technology. Orders for the telecommunications devices to be carried on the latest international Intelsat satellites give Alcatel a breakthrough into what has been an exclusive US market, dominated by Hughes and Harris.

To serve this business, which requires specialised semiconductors and antennae, Alcatel has established a pan-European web of wholly-owned companies and subcontractors. This meets the requirements for local content in these contracts.

● The group's international manufacturing activities are being more closely integrated to help achieve scale efficiencies. Alcatel has one of the widest global positions in the telecommunications industry, with manufacturing outside Europe in the US, Mexico, Taiwan and Australia.

● Productivity, measured in sales per employee, is increasing at about 5 per cent a year, and Gluntz says that this will continue to be the objective in the divisions. Alcatel has not embarked on savage closures, although there has been rationalisation of research and development and what Mr Gluntz calls "normal" reorganisation in the cables division, where technology has changed radically.

Nevertheless, the number of jobs has decreased in the ongoing activities from 135,000 at the time of the merger to an expected 120,000 by the end of this year.

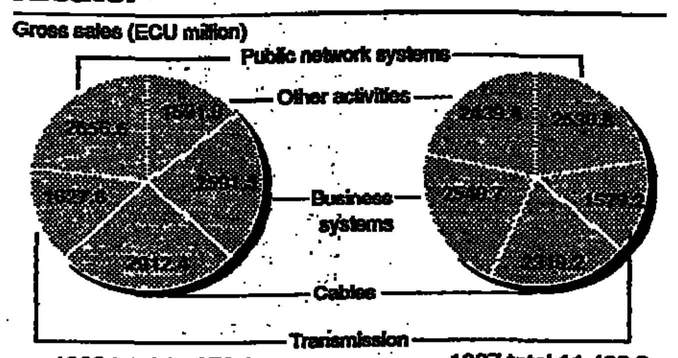
● The company is ahead of its financial targets. These have been modest up to now – in its first full year, Alcatel aimed for a 2 per cent net profit return on sales and easily achieved it, while last year it rose to 3.5 per cent. But Mr Gluntz argues that the international industry does not achieve a particularly high rate of return, and says he is aiming for a consistent 5 per cent.

Meanwhile, Alcatel's balance sheet is in reasonable shape. After deducting liquid resources, the debt-to-equity ratio stood at 54 per cent at the end of last year, down from 80 per cent in 1987. The group, which does its accounts in Ecus, had Ecu1.3bn ($1.27bn) of cash, sufficient to fund the acquisitions it needs to fill out its product line.

Mr Gluntz says that the figures are sound enough for the company to approach Standard & Poor's and Moody's, the US debt rating agencies, to give it their seal of approval so that it can issue commercial paper. "This is important to us in receiving better interest rates from the banks," says Mr Gluntz. "We expect to be well-rated."

Alcatel

Gross sales (ECU million)



James Hardie advances 19%

By Bruce Jacques in Sydney

JAMES HARDIE Industries, the Australian building products group, has reported a 19 per cent increase in equity accounted net earnings for the year to March.

The group, in the middle of a restructuring programme, lifted profits to A$83.8m (US$62.1m) from A$70.4m despite a 18 per cent fall in sales to A$1.5bn from A$1.7bn.

The annual dividend has been raised to 19 cents from 17 cents on capital increased by a one-for-eight bonus issue last year, an outlay of A$52.7m against A$45.4m.

A key reason for the earnings increase was a big reduction, from A$44.4m to A$26.9m, in the company's interest bill following the flotation last year of Spicers Paper, a former subsidiary.

Hardie plans two more spin-offs, involving its building services operations and technology and building products division, while the parent company is aiming at growth in the US.

Mr John Reid, the chairman, said the latest result was achieved despite the Spicers divestment and was the company's fourth consecutive half-yearly earnings rise. The result was struck before a A$16.5m extraordinary loss, reflecting goodwill write-offs and tax adjustments.

However, this still represented an improvement on a near-disastrous A$90.4m loss last year, which forced the company to pay a dividend out of reserves.

The extraordinary items left the company's bottom line A$67.1m in profit compared with a A$19.8m loss. Depreciation charges eased from A$36.1m to A$33.1m and tax took A$25.1m against A$28.2m.

GM gets licence for Australian clean engine

SARICH TECHNOLOGIES of Australia says it has licensed General Motors to manufacture, use and sell engines employing its orbital combustion process, Reuter reports from Perth.

Sarich, 35 per cent owned by Broken Hill Proprietary, said that the deal covered car, truck, motor cycle, aircraft, marine and industrial uses. Financial details were kept confidential.

Sarich has already licensed the orbital process, which uses fewer moving parts and is cleaner burning than conventional internal combustion engines, to Ford and Outboard Marine and Brunswick.

Alumax wins go-ahead for Quebec smelter

By Robert Gibbens in Montreal

ALUMAX of San Mateo, California, has signed an agreement with the Quebec Government to go ahead with a C$1bn (US$834m) aluminium smelter near Quebec City. It will start production in 1992.

Capacity will be 215,000 tonnes a year. A low-cost energy contract has been signed with Hydro Quebec, on similar lines to recent deals with Reynolds Metals of the US.

Taiyo Kobe to take 5% equity of Milan bank

By Alan Friedman in Milan

TAIYO KOBE Bank, a medium-sized Japanese city bank, has agreed to acquire a 5 per cent equity stake in Credito Commerciale, an 87-branch Milan-based bank that is 70 per cent owned by Monte dei Paschi di Siena (MPS), one of Italy's biggest banks.

The Siena-based MPS said the deal represents the first instance of a Japanese bank acquiring a minority stake in an Italian bank.

MPS did not disclose any details of future collaboration with the Japanese. The price being paid for the minority stake was not available, but a 5 per cent shareholding in Credito Commerciale would have a market value of around L23bn ($15.6m) on the Milan bourse.

Credito Commerciale had total assets of L18,665bn at the end of last year.

The bank's net capital amounted to L302bn and its 1988 net profit was unchanged at L25.3bn. The bank employs more than 2,000 people.

Mitsui increases rental income

MITSUI Real Estate Development lifted consolidated net earnings 30 per cent to Y35bn ($234.2m) in the year to March on sales which rose 15 per cent to Y864.9bn, AP-DJ reports from Tokyo.

The company said that rental income led sales growth, increasing by 23 per cent to Y138.8bn. It said when it announced unconsolidated results that it has been trying to boost rental income by renewing long-standing contracts during the period.

Analysts say that Mitsui Real Estate's rental income has not been as high as it could be because much of its rental space is in old buildings in central Tokyo with long-standing tenants, making it hard to raise rents in step with the market.

Oji Paper posts 52% profits rise

OJI PAPER, one of Japan's largest papermakers, boosted net earnings 52 per cent to Y26.9bn ($180m) in the year to March, AP-DJ reports. Sales rose 8.5 per cent to Y601.1bn. Oji sees sales of Y638bn, and net income of Y28bn this year.

The strong figures were partly due to good sales in general paper products and related items, which advanced to Y475.8bn from Y442.4bn.

Japanese papermakers are enjoying strong demand under a buoyant economy.

INTERNATIONAL CAPITAL MARKETS

Swedish bank to move trading units to London

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's leading commercial bank, is to move an important part of its present currency and financial activities to London. "We must be where the market is and it won't be in Sweden so long as the turnover tax is still here," said Mr Jacob Palmstierna, chief executive, yesterday.

The turnover tax on bond trading came into force on January 1 this year but most analysts thought it would have been abolished with the decision to lift foreign exchange controls from July 1.

However, so far the Ministry of Finance has given no indication of when it intends to remove the tax and it now seems unlikely any move will be made before the autumn at the earliest.

In the meantime, other Swedish banks are likely to follow SEB's example and move their international trading in Swedish bonds overseas, either to London or Luxembourg. Trygg-Hansa, the Swedish insurance company and a leading investor in the Swedish market, announced recently that it was establishing an office in London to handle foreign share trading.

Yesterday Mr Anders Hedenstrom, the head of SEB's currency and finance division, said: "Unless this tax is removed it really could mean the end of Stockholm as a financial centre."

Swedish analysts believe the turnover tax contradicts the government's strategy to deregulate and liberalise the financial markets. But the removal of the tax requires a political decision from Mr Kjell-Olof Feldt, the Finance Minister, who is under strong pressure from the powerful blue-collar trade union leadership to maintain high taxes on financial transactions.

"Unless the Government sees sense it will turn this country into a combination of banana republic and folklore museum," complained one leading broker yesterday. The financial community has been lobbying furiously behind the scenes over recent weeks to convince the central bank and the Ministry of Finance about the folly of maintaining a tax that will discourage trading in Swedish bonds in Sweden and positively encourage an outflow of business abroad.

A variety of turnover taxes has been tried in Sweden since 1983, nearly all designed to placate the trade unions. Partly as a result of this, the dealing volume on the Stockholm Stock Exchange in relation to overall capitalisation has dropped from 40 per cent in 1986 to around 12 per cent.

In the first quarter of this year trading in the six most active Swedish stocks was twice as big in London and New York as it was in Stockholm. On the money and bond markets, the average daily turnover currently totals around SKr6bn ($886m) compared with SKr38bn two years ago.

The recent abolition of controls opens up the Swedish bond market to international investors for the first time but the existence of the turnover tax means that it will be more lucrative for the business in Swedish bonds to be carried on outside the country.

Call to unify Swiss bourses

SWITZERLAND needs to unify its bourses and require companies to disclose more financial details if it hopes to remain attractive for investors, Mr Marcus Lusser, Swiss National Bank president, said yesterday, Reuters reports.

"We need a unified Swiss securities exchange," he told the University of Cologne's Institute for Banking and Bank Law. "Instead we still have not only seven bourses, but also seven different supervisory bodies responsible for them.

"The Swiss financial centre can only remain attractive to foreign, private and institutional investors if Swiss issuers come more into line with their foreign competitors," he said.

Chase and Gemina unveil fund for LBO investment

By Norma Cohen

CHASE Manhattan, the US bank, and Gemina, the Italian financial company, yesterday announced a capital fund which will make investments in leveraged buy-outs and take minority development capital positions in companies doing business in Italy.

The fund, expected to total $50m to $100m, will concentrate on private, profitable, mid-sized companies and will not participate in hostile take-overs or in public companies.

The project will be underwritten by non-Italian institutional investors that are to take average participations of between $5m and $10m, Gemina said. The minimum investment in the fund will be $1m. The fund will then invest in companies that have annual revenues of between L20bn ($14m) and L300bn.

Chase said it believes the fund will benefit from the current favourable situation in the Italian LBO market and from the apparent low valuation of many Italian companies.

● Investcorp, the Middle East-based international investment bank, said its European Acquisition Fund has been subscribed more than twice and is being increased.

Nomura US deal aims at boosting its world rank

By Stefan Wagstyl in Tokyo

NOMURA Securities, the largest Japanese securities company, is seeking to boost its position in the international futures broking market through a co-operation agreement struck this week with Refco, a leading US futures group.

The deal will help Nomura prepare for the lifting of a ban on foreign financial futures broking in Japan at the end of this month.

Nomura originally hoped to have completed a deal with a US partner last year by buying GNP Commodities, a Chicago futures company. But Nomura pulled out of the deal when the Commodity Futures Trading Commission, the regulatory watchdog, filed a complaint against GNP on allegations including fraud.

Chicago-based Refco is the world's largest futures broker in terms of commissions, active in commodity as well as financial futures markets. It has expanded rapidly through the 1980s with a series of quick-fire acquisitions.

In choosing a partnership with Refco, Nomura has bought itself into the Chicago futures markets in a different way from the other three leading Japanese securities houses – Daiwa, Nikko and Yamaichi – which have all acquired clearing memberships at the Chicago Board of Trade and the Chicago Mercantile Exchange.

Like them, Nomura has trading seats on both exchanges but it has concluded that the best way to expand its presence is through a partnership with an existing company.

Nomura already has links with Refco – it sends trainees to the Chicago company and consigns own-account clearing orders for US contracts to Refco. Under the terms of the new agreement, Nomura staff will be seconded to Refco to pick up market information which will be passed to Nomura clients. In return, Nomura will send orders from clients for US contracts to Refco, and share commission.

Japanese interest in financial futures is expected to mushroom following the opening on June 30 of the Tokyo International Financial Futures Exchange, which will trade contracts based on US dollar and yen money market instruments and currencies.

● Orix Corporation, which plans to pay $90m for a 30 per cent stake in Commodities Corporation, a Chicago-based futures fund manager, said yesterday that the agreement would enable it to prepare for the expansion of Japanese futures markets.

Orix, Japan's biggest leasing group, recently changed its name from Orient Leasing, gets nearly two-thirds of income from leasing. In the six months to the end of March, it made pre-tax profits of Y9.5bn ($64.3m) on revenues of Y276.8bn. Commodities Corporation manages nearly $1bn, which it believes makes it the largest specialist futures fund manager in the world. It has total assets of $467m and 135 staff. The directors include Mr Paul Samuelson, winner of the 1970 Nobel prize in economics.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9⅞ 95	600	102½	103⅛	+0⅜	+0⅝	8.77
Austria 9⅜ 93	140	102⅛	102⅝	+0⅜	+0⅛	8.83
B.F.C.E. 7 92	150	†95	96	+0⅛	+0⅜	8.87
B.F.C.E. 9¼ 95	150	101⅞	102⅛	+0⅝	+0¼	8.84
Brit. Tel. Fin. 9⅜ 98	250	103	103⅜	+0¼	+0⅜	8.84
BP America 9¾ 99	250	104⅛	105	0	+1⅜	8.98
Canada 9 96	1000	102¼	103	+0⅛	+0¼	8.46
Canadian Pac 10⅜ 93	100	†101½	102½	0	+0⅛	10.12
C.C.C.E 9¼ 95	300	101½	102¼	+0⅜	+0⅛	8.80
C.N.C.A 9⅜ 93	150	†101¾	102¼	+0⅝	+0½	5.83
Credit National 8¼ 93	200	†97½	98	+0⅛	0	8.95
Credit National 7⅜ 92	100	95¾	96½	+0⅛	0	8.90
Credit National 9½ 92	160	102	102⅜	+0⅛	0	8.66
Dai-Ichi Kan 9⅝ 92	150	101⅜	101⅞	+0¼	+0⅛	9.00
Denmark 7⅛ 92	500	95⅛	95⅝	+0⅛	0	9.09
E.E.C. 7 91	100	95⅝	96⅛	+0⅛	0	8.84
E.E.C. 7¼ 93	250	†94⅝	95¼	+0¼	+0⅜	8.78
E.E.C. 10 93	140	†103⅝	104	+0⅛	+0¼	8.77
E.I.B. 9⅜ 97	150	†103⅛	104⅛	+0¼	+0½	8.73
Eurofima 10⅛ 93	100	†104¼	104⅝	+0½	+0¼	8.69
Elec. De France 9 98	200	100⅝	101⅜	+0¼	+0¼	8.82
Elec. De France 9½ 99	200	†103½	104	-0⅜	0	8.90
Finland 7¾ 97	200	94¾	95½	0	+0½	8.76
Finn.Exp.Cd. 8½ 92	200	98⅜	99⅛	+0⅛	0	9.00
Finn. Exp. Cd. 9⅞ 95	200	101¾	102⅜	+0⅛	+0¼	8.93
Ford Motor Credit 8 91	250	†97¾	98¼	0	+0¼	9.08
Ford Mtr.Cred. 10 94	200	104⅝	105⅛	0	-0⅜	8.74
Gen.Elec.Cap.Corp. 9 93	500	†100	101	0	+0¼	8.83
Gen.Elec.Cap.Crp.10 1/2 91	300	102¼	103	+0⅛	0	8.78
Gen. Mtrs.Corp. 9⅛ 92	200	99¾	100½	+0⅛	+0⅛	9.06
IBM Credit Corp. 8⅞ 91	250	99¾	100⅜	+0⅛	0	8.83
IBM Credit Corp. 9½ 92	250	101½	102⅛	+0⅛	+0⅛	8.65
IBM Credit Corp. 10 92	200	103⅜	103¾	+0⅛	+0¼	8.57
Italy 9½ 95	1000	102½	103⅛	+0⅛	+0¼	8.87
Italy 9⅝ 99	1000	†104½	105	+0⅜	+0⅜	8.86
Japan Dev. Bank 10 96	200	105½	106	0	+0⅛	8.85
L.T.C.B.of Japan 9¼ 92	200	100½	101⅛	+0⅛	+0⅜	8.95
Metropolis Tokyo 9½ 93	200	102	102½	+0⅛	0	8.71
Nippon Tel.&Tel. 9⅝ 98	250	103¼	103¾	+0⅜	+0½	8.80
Norway 8¾ 93	500	99½	100	+0¼	0	8.81
Portugal 8¼ 91	300	†97¾	98¼	+0⅛	+0¼	9.49
Prudential Crp. 8⅞ 94	125	100⅞	101⅛	+0¼	0	8.58
State Bk S Aust 9¼ 93	100	†100⅛	101⅛	0	+0¼	9.01
Sumitomo Bank 9⅛ 92	150	†101¼	101¾	+0¼	+0⅛	9.05
Sweden 7 91	250	96	96¾	+0⅛	+0½	8.77
Sweden 8¾ 96	200	99¾	100½	+0⅛	+0⅜	8.71
Sweden 8½ 92	200	†98⅛	99¼	0	0	8.95
Toyota 9½ 91	200	100¾	101⅛	+0⅛	-0⅛	8.99
Victorian Rep 11⅝ 92	150	105¾	106½	+0⅛	+0⅛	9.09
World Bank 7 92	300	†95⅝	96⅛	+0¼	0	8.80
World Bank 9 97	300	100¾	101½	+0⅜	+0¼	8.79
World Bank 9 93	300	100⅞	101¼	+0¼	-0¼	8.69
World Bank 9¼ 98	300	102¼	103	-0⅛	+0⅜	8.81
World Bank 9⅝ 99	500	105⅛	105½	+0⅜	+0½	8.76
World Bank 9¾ 96	300	†104⅛	104⅝	-0⅜	0	0.62

Average price change... On day +0⅛ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	95⅛	95¾	-0⅜	+0½	7.00
Austria 6¼ 99	750	99⅛	99⅝	+0⅛	+1¼	6.85
Bank of Tokyo 5¾ 93	100	94¾	95¼	-1⅝	-1⅜	7.37
Commerzbank o/s. 5⅛ 93	300	94⅞	95⅜	0	+0½	6.95
Credit Foncier 6¾ 99	500	99¼	99½	+0⅜	+1⅝	7.84
Degussa Int. 6¼ 97	200	95⅝	96⅜	+0¼	+1⅞	6.78
E.I.B 5½ 98	150	90¼	91	-0¼	+1	6.95
E.I.B. 6⅛ 99	600	95¼	95⅞	-0⅛	+1¼	6.90
E.I.B. 6⅛ 96	300	96⅛	96¾	0	+0⅞	6.76
E.I.B. 6½ 99	300	97	97⅝	-0⅜	+1⅛	6.87
E.I.B. 6⅞ 95	300	101¼	101¾	0	+0⅞	6.57
Euro.Coal& Steel 5⅞ 97	175	93⅝	94⅛	0	+0¾	6.95
Eurofima 6¼ 96	100	95⅛	95⅞	+0¼	+0½	7.08
Elec De France 5¾ 97	300	92⅝	93⅛	+0⅛	+0¼	6.92
Forsmark Krtg. 5⅛ 93	200	93⅝	94¼	+0⅛	+0⅜	7.01
Hydro-Quebec 6¾ 99	300	99¼	99⅝	+0⅜	+1⅜	6.83
Japan Dev. Bk. 5⅛ 95	300	94⅛	94⅞	+1	+1⅞	6.53
Japan Finance 5¼ 97	100	92⅝	93⅛	+0¼	+0¼	6.95
Ireland 6½ 97	300	95¾	96¼	0	+1⅛	7.18
Malaysia 6¼ 94	150	96¾	96⅞	0	+0½	7.10
Nat. West BK. PLC 6 98	300	92¾	93⅛	+0⅛	+0⅜	7.13
N.H.L. Finance 6¼ 95	200	†93½	94	-0¼	+0¼	7.50
Nippon Telg.&Tel. 6 95	400	95¾	96⅛	-0¼	0	6.38
Oesters. Kontbk. 5 93	300	95½	96¼	-0⅜	+0¼	6.30
Portugal 5⅝ 92	150	96⅞	97⅜	+0⅜	+1⅛	6.84
Portugal 6⅝ 95	150	98⅛	98⅞	0	+0⅜	6.93
Privatbanken 5¼ 93	150	93⅝	94⅛	-0¼	+0¼	7.14
Royal Insurance 5½ 92	300	96⅛	96⅝	0	+0¼	6.95
Soc Cent Nuclear 7¼ 95	150	99⅝	100¼	+0⅛	+0⅝	7.27
Turkey 6½ 95	500	94¼	95	+0⅜	+0⅜	7.66
Union Bk. Finland 5½ 94	200	†95	95½	+0¼	+1	6.72
Westlb. Finance 5 93	200	†93¼	93⅝	0	+0¼	7.08
World BK. 6¼ 97	600	97⅝	98⅛	+0½	+2¼	6.76

Average price change... On day +0⅛ on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev. Bk. 5 96	150	†94	94¼	-0⅛	-2⅝	5.99
Asfinag 5 03	100	†94	94¼	-0⅛	+4¼	5.58
B.F.C.E. 4½ 98	200	†91¼	91¾	-0¼	+0¼	5.73
B.M.W.Fin.Neth. 5 13	150	†87½	88	+0½	0	5.97
Britannia B/S. 4¼ 94	100	†92	92¾	+0⅝	+0¼	6.07
CIR. Int. W/W 3 93	125	†91	91¼	+1	+1	5.47
Credit Lyonnais 4¾ 00	100	†90	90½	-0¼	+1½	5.99
E.I.B 4⅝ 98	150	†90¼	90½	-1⅛	-1⅜	6.04
Fletcher Chall. 4⅞ 98	150	†88¾	89¼	+0¼	0	6.55
Kobe City 4⅝ 98	150	†92	92½	0	+0¼	5.74
Leeds Perm. B/S. 4⅛ 93	200	†93½	94	-0¼	+0¾	5.99
Malaysia 5¼ 98	100	†91½	92½	+0⅜	-1½	6.44
Maxwell Comm.Crp. 5 95	150	†90	90½	-0¼	+2¼	7.05
Nat.Bk. Hungary 5½ 94	75	†94	95	-0½	-0⅛	6.72
Nationwide Ang.B/S. 4 93	200	†91¼	92¼	-0¼	0	6.40
Nippon Telg.&Tel. 4¼ 95	200	†93	93½	0	-1⅜	5.56
Oesters.Ktbk. 5 03	75	†91	92	0	+0½	5.90
Prov. Newfoundland 5 03	150	†91½	92	+0¼	-0⅞	5.86
Thailand 4⅝ 95	200	†91	93	0	-0⅛	6.25
World Bank 5 03	150	†94	95	-1	+1	5.57

Average price change... On day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 93	80	100⅞	101⅛	0	-0⅜	5.46
Canada 5⅝ 93	80	100¾	101	-0¼	-0⅞	5.38
Eurofima 5 1995	20	97⅞	98⅜	-0¼	-0⅞	5.38
E.I.B. 4⅞ 93	30	97⅜	98	-0¼	-0⅞	5.51
Ireland 5⅛ 93	30	99¼	99¾	-0⅛	-0½	5.27
Norway 5¼ 95	30	98¾	99	-0¼	-1⅛	5.35
Sweden 4⅝ 93	50	96⅞	97⅛	-0¼	-1	5.50
World Bank 5⅛ 98	10	–	–	–	–	–
World Bank 7 94	20	106¼	106¾	-0⅜	-1⅛	5.44

Average price change... On day -0¼ on week -0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 11⅝ 95 £	100	96¼	97⅜	+0⅛	-1	12.35
Aegon 7¾ 92 FL	100	100⅝	101⅛	+0⅛	+0¼	7.83
Alg. Bk. Ned. 5½ 92 FL	150	95	95¼	0	+0¼	7.56
Alg. Bk. Ned. 5¾ 93 FL	200	93¾	94¼	0	-0⅛	7.64
Austria 7½ 94 ECU	100	95⅞	96⅜	0	+0¼	8.51
Bk. Nova Scot. 14⅜ 90 A$	75	95	96	0	0	17.95
Barclays Aus. 13½ 91 A$	100	94⅛	94⅝	-0⅜	-0⅜	16.47
Belgium 8⅛ 94 Ecu	150	98	98½	0	+0¼	8.57
BP Capital 9¾ 93 £	100	92¼	92⅝	+0¼	-1	12.34
British Airways 10 98 £	100	88½	89	+0¼	-1⅛	12.14
Buhrmann-Tet. 6⅜ 93 FL	100	95	95½	0	+0¼	7.77
Comm. Bk. Aust. 12⅝ 93A$	100	†93	93½	0	0	15.00
Coop.Ctr.Rabo.6¼ 93 FL	100	97½	98	0	+0⅝	6.96
CrLocalFrance 9¼ 92Ecu	100	101½	102	+0⅜	+0⅜	8.56
Dent.Bk.Aus. 13⅜ 93 A$	125	94	94⅝	-0⅛	+0¼	15.20
Deutsche Bk.Fin. 15 94 A$	100	101¼	102¼	-0⅛	+0¼	14.37
Eastman Kodak 13 90 A$	100	95	95¾	-0⅛	+0⅛	17.71
E.I.B. 7 96 LFr	100	96½	97½	-0⅛	-0¼	7.58
E.I.B. 9 99 Ecu	150	101⅝	102¼	+0½	+0⅞	8.70
Eurofima 7⅝ 94 Ecu	100	96⅛	96¾	+0⅛	+0⅜	8.55
Export Dv.Crp.8¾ 92Ecu	100	100⅛	100⅝	-0⅛	+0¼	8.58
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†98⅜	98⅞	+0¼	0	10.31
Fed.Bus.Dv.Bk.10½ 93C$	50	100⅝	101⅛	+0¼	+0⅛	10.22
Ferrv. Stato 7¾ 93 Ecu	100	96½	97	-0⅛	+0¼	8.75
Ford Cr.Can.10¾ 93 C$	100	†100¾	101¼	+0¼	+0⅛	10.37
Ford Cred.Can.10⅞ 96C$	125	103	103½	+0⅛	+0⅜	10.16
Ford Mtr.Cred.7⅞ 93Ecu	100	96¾	97¼	0	+0¼	8.85
Heineken 7⅝ 94 FL	150	100⅜	100⅝	0	0	7.73
Hydro-Quebec 11 99 C$	400	104¾	105	+0⅛	+0⅜	10.16
Lloyds Bank 10¼ 98 £	150	89½	90	+0¼	-1⅛	12.20
Lloyds Bank 11⅛ 98 £	100	93	93½	+0⅛	-1	12.60
Montreal Tst.10¾ 93 C$	100	†99⅛	99⅝	+0¼	-0¼	10.94
Morgan Guar.Tst. 11 91 C$	150	99¾	100⅜	0	-0½	10.81
Nat. Aus. Bk. 14¾ 94A$	100	99	99⅝	0	+0¼	14.95
New Zealand 9½ 93 £	100	90⅞	91¼	+0⅛	-1⅛	12.55
Philips Gleoil. 6 93 FL	300	94¾	95¼	0	+0¾	7.44
Privatbanken 7½ 94 LFr	500	97⅞	98⅞	0	-0⅛	7.91
Royal Bk.Scot.10⅝ 98 £	125	92	92⅝	+0⅛	-1⅜	12.16
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	+0⅛	-0⅛	10.47
Saskatchewan 10¼ 93 C$	200	99⅝	100⅛	+0⅛	+0¼	10.25
State Bk.NSW. 13⅞ 93A$	100	94⅝	95¼	+0⅛	+0⅛	15.47
Sweden 15 94 A$	100	101¾	102⅜	0	+0½	14.34
Toyota Mtr.Cr.11⅜ 92C$	150	102⅛	102⅝	+0⅜	-0¼	10.39
World Bank 13⅞ 92 A$	100	98⅛	98½	-0⅛	+0¼	14.08
Zentrspk. 13¼ 93 A$	75	†95⅛	95⅝	0	+0⅛	14.72

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.91	99.96	18/07	13.08
Bank of Greece 99 US$	0¼	99.76	99.86	8/09	10.62
Belgium 91 US$	0	100.20	100.30	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.80	99.85	30/08	14.06
Credit Foncier 98 US$	.063	100.25	100.35	20/10	10.16
Dresdner Finance 99 DM	.031	99.93	100.03	27/07	6.59
EEC 3 92 DM	0	100.50	100.59	20/08	5.63
Halifax BS 94 £	.1	99.89	99.94	6/08	12.97
Invt. in Industry 94 £	0¼	99.97	100.06	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	13/07	13.34
Midland Bank 01 £	.1	98.37	98.67	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	100.02	100.07	30/06	13.06
New Zealand 5 97 £	.07	99.96	100.06	22/08	13.19
State Bk. Nsw. 98 US$	.188	100.48	100.58	11/08	9.87
Woolwich Equit.BS. 93 £	0⅛	100.09	100.14	13/07	13.37
Woolwich 5 95 £	0⅛	99.89	99.94	22/08	13¼

Average price change... On day +0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	115¼	116¼	-0¼	9.09
Amer. Brands 7¾ 02 US	9/87	56.7	128	129	+0⅝	0.15
Ashikaga Bank 2⅛ 02 US	4/87	967.	115⅛	116⅛	-2⅞	3.34
Asics 5 92 DM	12/83	472.7	264½	266	-0⅛	12.98
CBS. Inc. 5 02 US	4/87	200.	104⅝	105⅝	-0⅛	2.94
Primerica 5½ 02 US	4/87	66.75	68⅝	69⅝	-0½	96.64
Eng.China Clay 6½ 03 £	9/88	4.8	100¼	101¼	-0¼	3.65
Fujitsu 3 99 US	5/84	1106.	202⅝	203½	-3⅜	-0.43
Land Secs. 6¾ 02 £	6/87	6.72	93⅞	94⅞	-0⅛	13.66
Minolta Camera 2¼ 94DM	2/86	1004.	110¼	111⅞	-1⅜	6.19
MCA Inc 5½ 02 US	9/87	69.62	97¼	98¼	+2¼	13.19
Mitsubishi Bk. 3½ 04US	5/89	3266.	87⅝	88⅝	-3⅛	3.60
Mitsui Trust 2⅜ 01 US	10/86	1903.	112⅜	113⅜	-3⅝	3.79
Next Plc 5¾ 03 £	11/87	4.3	98	99	-0⅛	204.71
[illegible] Nipp.Bk. 2⅞ 03 US	4/88	894.	105	106	-3⅛	-11.18
Omron Tateisi 2⅜ 02 US	4/87	1310.	235	235¼	-0⅛	1.43
Ranks Hovis 4¾ 03 £	1/88	3.5	122⅜	123⅜	-0⅛	-2.48
Redland 7¼ 02 £	1/87	5.4	103	104	-0⅛	1.43
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	91	92	-0¼	27.29
Sumitomo Bank 3½ 04 US	2/89	4296.	77⅝	78⅝	-3⅞	14.10
Texas Inst. 2¾ 02 US	9/87	82.87	76½	77½	-0⅛	52.37
W.R. Grace 6¾ 02 US	9/87	42.12	95	96	+0⅜	20.09

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

US long bonds fall back sharply as dollar subsides

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds fluctuated in both directions yesterday morning after the release of figures for trade, industrial production and capacity utilisation and finally succumbed to profit-taking as the dollar fell back from early highs.

At mid-session, the Treasury's benchmark long bond

GOVERNMENT BONDS

was quoted ¾ point lower at 8.23 per cent.

Bond prices continued to track the dollar closely. They moved up with the US currency in an immediate reaction to news that the US merchandise trade deficit had narrowed to $8.26bn in April but then starting losing ground as the dollar changed direction.

The dollar, which had surged to highs of Y151.85 and DM2.0475, subsequently fell back to be quoted at Y149.55 and DM2.0230 at mid-session. The dollar selling appeared to be on a combination of factors. Repeated intervention by the US Federal Reserve was reported in the foreign exchange market, there was profit-taking at the highs and some reconsideration of the trade release because of the upward revision in the March deficit to $9.54bn from $8.86bn previously reported.

The bond market was also looking at the March revision. That came in conjunction with hefty upward revisions in both industrial production and capacity utilisation. Although industrial production was unchanged in May, April's rise was revised up to 0.6 per cent from 0.4 per cent and March was revised to a gain of 0.1 per cent from being unchanged in its previous report.

Capacity usage in May was 83.8 per cent. April's rate was revised up to 84.1 per cent from 83.9 per cent and March's usage rate was revised up to 83.8 per cent from 83.7 per cent.

These figures taken together confirm more robust growth at the end of the first quarter and beginning of the second than previously thought but confirmed a slowing in May. On balance, the figures were negative for the bond market.

Today, bond traders will be focusing on the May Consumer Prices Index which is expected to have risen by 0.5 per cent compared with the 0.7 per cent gain in April.

Fed Funds yesterday traded at 9⅝ per cent and the US Federal Reserve drained liquidity from the money as expected with four-day matched sales.

THE RELATIVE cheapness of European markets compared with the US is finally exercising a decisive effect on capital flows yesterday. Significant switching out of the US treasury market supported prices in major European markets, including the UK, yesterday.

In Germany, prices were fixed unchanged or lower on the bourse, but began to advance after a narrower-than-expected US trade deficit in May. The lack of policy change from the Bundesbank regular meeting, while anticipated, had a mildly positive effect too.

As the market gained momentum during the afternoon, dealers were caught with little stock on their books. So the thin market, combined with good buying interest both from abroad and domestically led to extensive use of the Liffe bund futures contract, which traded over 30,000 contracts.

The September bund future advanced to 95.14 compared with an opening price of 94.75.

WHILE a report during the morning that May inflation figures would again be poor, the French market fell back, but as the US opened considerable dealers saw considerable buying interest, as in other European markets. On Matif the September notional bond future closed 4 basis point firmer at 106.04, after a day's low of 107.82.

THE UK gilt market also turned around yesterday, with cash and futures prices over a point firmer at the long end of the market by the end of the day. The benchmark Treasury due 2003-2007 was up 1⅜ of a point at 110.21, and the September gilt future closed 1⅜ firmer at 92-13.

Prices largely followed sterling's gyrations, and the currency was firmer late in the day helped by central bank intervention and some buying on the lows. Major US institutions were reportedly switching out of Treasuries and buying *richly yielding gilts*.

While the market largely ignored lower than expected average earnings figures for April, which came in unchanged from March at an annual increase of 9.25 per cent, the upward revision of the quarterly invisibles surplus had a mildly negative effect, as it increases the trade deficit.

WITH THE yen plummeting below Y150 against the dollar, and more talk of another rise in the official discount rate, *prices in Japanese government* paper fell substantially during the Tokyo day in moderate trading. Intervention in the currency markets by the central bank did little to check the dollar's progress.

Yields on the No. 111 benchmark bond rose to a high of 5.545 per cent, closing in Tokyo at 5.535 per cent compared with 5.475 on Wednesday. In the London market the benchmark briefly touched a high of 5.575.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	8/92	104-29	+8/32	11.63	11.28	10.98
		9.750	1/98	94-04	+17/32	10.82	10.63	10.28
		9.000	10/08	93-10	+28/32	9.77	9.84	9.50
US TREASURY *		9.125	5/99	105-27	-7/32	8.25	8.32	8.87
		8.875	2/19	107-02	-20/32	8.23	8.33	8.85
JAPAN	No 111	4.600	6/98	94.3478	-0.312	5.54	5.33	5.37
	No 2	5.700	3/07	104.5213	-0.582	5.21	5.06	5.07
GERMANY		6.375	11/98	97.5500	+0.200	6.72	6.88	7.07
FRANCE	BTAN	8.000	1/94	98.7699	-0.141	8.65	8.86	8.98
	OAT	8.125	5/99	98.8000	+0.120	8.60	8.74	8.86
CANADA *		10.250	12/98	105.5000	+0.125	9.38	9.38	9.84
NETHERLANDS		6.7500	10/98	97.6500	+0.050	7.10	7.24	7.41
AUSTRALIA		12.000	7/99	90.7263	-0.125	13.73	13.73	13.49

London closing. *denotes New York morning session
Yields: Local market standard   Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Barclays unit to manage Japan pension funds

By Stefan Wagstyl in Tokyo

BARCLAYS Trust Bank, a subsidiary of the UK clearing bank, has joined the small band of foreign trust banks allowed to manage Japanese public pension funds.

Barclays and a subsidiary of Chemical Bank of the US have this year joined two American-owned trust banks – Cititrust, an affiliate of Citibank, and Japan Bankers Trust, a subsidiary of Bankers Trust – which have managed funds before on behalf of the Ministry of *Health and Welfare*.

The increase in foreign participation is a sign that the Japanese authorities recognise the fund management skills of foreign companies. Two years ago, Japan Bankers Trust, which was then the only foreign company, out-performed all its Japanese rivals handling the ministry's funds. Last year Cititrust came top in its first year, with Japan Bankers Trust also among the leading performers.

The ministry manages a share of the funds itself through the Pension Welfare Service Public Corporation.

But the proportion has been falling as more funds have been put out to private companies in order to improve competition and performance. The ministry is anxious about the forecast likely increase in the number of Japanese pensioners in the next 30 years as the population ages.

Japan Bankers Trust joined the list in 1986, following strong lobbying from the US for the market to be opened to foreign companies. The ministry is expected to add slowly to the number of foreign companies and to increase the funds they are allocated.

Japan Bankers Trust started with about Y2bn ($13.5m). This year it is getting allocated Y20bn, as is Cititrust. Barclays and Chemical are being entrusted with Y8.5bn each.

The total put out by the ministry is Y792bn out of Y1,050bn.

The proportion managed by Japanese life insurance companies is being increased at the expense of trust banks with the largest amount, Y36.5bn, going to Nippon Life.

Rash of US data keeps new issue activity in check

By Andrew Freeman

US TRADE figures for April and industrial output numbers kept Eurobond dealers busy guarding their books yesterday, so there were few new issues. Syndicate managers

INTERNATIONAL BONDS

were forecasting a rush of activity next week when several borrowers, known to have held off this week, are expected to tap the market.

Morgan Stanley International was the lead manager of a $210m asset-backed deal using a special vehicle called Collateralised Bond Obligations. The 11-year deal carried a coupon of 20 basis points over six-month Libor.

New issue traders reported a hot reception, with European institutions leading widespread interest. The bonds were *quoted by the lead manager at* 99.95 bid, just below the par issue price and well inside underwriting commissions of 25 basis points.

The deal, which is callable at par on coupon dates after one year, is collateralised by a $300m pool of high-yielding securities bought by Morgan Stanley over recent weeks. A 25 per cent annual sinking fund after 1997 reduces the average life of the bonds from 11 to 9½ years.

A guarantee from Financial Security Assurance added to the credit quality of the bonds, while Morgan Stanley was able to price the paper against other FSA-guaranteed deals trading in the secondary market.

An A$50m five-year deal was launched for Ford Credit Australia by Deutsche Bank Capital Markets (DBCM). The bonds carried a 15⅞ per cent coupon and were priced at 101⅞. The lead manager quoted the retail-orientated paper at less 1.95 bid, but added that the deal's size would prevent widespread trading.

The deal was syndicated on a so-called take-and-pay basis, whereby underwriters were offered a final allocation at a fixed price. A DBCM official said that this method of syndicating issues had been adopted some weeks ago and was judged as sensible in current market conditions.

Bankers Trust had a busy day, launching three deals including an oil-linked $50m one-year deal for Exportfinans. The bonds were offered in two $25m tranches with different redemption amounts based on investors taking a view on future oil prices.

A FFr750m eight-year deal was brought by Crédit Lyonnais for Olivetti International. The 9 per cent coupon attracted some international demand, yielding 56 basis points over French government bonds at less full fees.

However, the deal ran into some resistance to what investors saw as over-supply in the sector.

The lead manager was quoting the paper at around less 2 bid on fees.

In Switzerland yesterday, syndicate managers looked in amazement at an increase in the coupon on Tuesday's SFr120m equity warrants deal for Kasumi.

Handelsbank NatWest raised the coupon by ¼ point to 2⅞ per cent to try to make the deal more attractive to investors. However, there was comment that coupons need to be around 3 per cent before there will be real demand. The bonds were trading at less 4 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Collateralised Bond Ob.(c)†◆	210	20bp	100	2000	25bp	Morgan Stanley Int.
Credlop(d)◆	100	9	101	1990	1⅛	Bankers Trust Int.
Eksportfinans(e)◆	50	15'	100	1990	1⅛	Bankers Trust Int.
Pacific Metals Co.(a)◆◆	120	4⅞	100	1993	2¼/1⅛	Yamaichi Int. (Europe)
AUSTRALIAN DOLLARS						
Ford Credit Australia◆	50	15⅞	101⅞	1994	2/1⅞	Deutsche Bank Cap. Mkts.
FRENCH FRANCS						
Olivetti Int.SA◆	750	9	101⅞	1997	2/1⅛	Credit Lyonnais
SWISS FRANCS						
Kasumi Co.(b)★★◆	120	2⅞	100	1994	1⅞	Handelsbank NatWest
YEN						
Marubeni America(f)◆	10bn	8	101⅞	1993	1⅞/1	Bankers Trust Int.
Okobank(g)◆	3bn	(g)	101⅞	1994	1⅞/1⅛	Mitsui Fin. Trust Int.

★★Private placement. ‡With equity warrants. ◆Floating rate notes. ◆Final terms. a) Coupon cut by ⅛% from indication. b) Coupon increased by ¼% from indication. c) 20bp over 6-month Libor. Call at par in June 1990 and on coupon dates thereafter. Average life 9½ years. d) Additional $100m on tap. e) Redemption oil-linked. Launched in two tranches of $25m each. f) Redemption linked to Nikkei stock index. g) Coupon 5¼% for three months, then Japanese long-term prime rate plus 12bp.

Tokyo to ease Euro-yen issue rules for foreigners

By Andrew Freeman

MOVES to liberalise rules for non-Japanese issuers of Euro-yen bonds are expected to come into force today. The changes were signalled by the Japanese Ministry of Finance at the beginning of June and are part of wider attempts to bring more capital markets business to Tokyo.

Syndicate managers are hoping for several deals to take advantage of the relaxation of restrictions which have stopped non-resident borrowers issuing Euro-yen bonds of less than four years' maturity.

In addition, the existing single-A rating floor will be removed so that any borrower with a recognised credit rating will be allowed to issue bonds. *This will significantly widen* the pool of borrowers able to tap the market.

The moves are designed to encourage greater use of the Euro-yen market after a period of stagnation.

However, traders were warning by the Japanese authorities yesterday that there will not be a flood of deals because swap rates and a weak currency make the sector unattractive to many borrowers.

Among issuers thought to be contemplating deals today are the State Banks of Victoria and South Australia, and Chrysler, the US corporation.

The issue sizes will be small, however, and syndicate managers will concentrate on both targeted and Nikkei-linked *issues*.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 15 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jun 14 Index No.	Tue Jun 13 Index No.	Mon Jun 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (205)	948.41	-0.4	11.06	4.12	11.18	13.25	951.76	947.66	957.45	785.10
2	Building Materials (29)	1161.89	-0.4	12.24	4.41	10.09	17.91	1166.65	1170.39	1193.37	1022.21
3	Contracting, Construction (37)	1627.59	-0.3	14.25	4.31	9.28	30.24	1631.87	1633.66	1651.46	1598.36
4	Electricals (9)	2779.65	-0.7	8.89	4.13	13.89	49.45	2800.53	2792.60	2831.34	2097.30
5	Electronics (30)	2223.02	-0.3	8.58	3.13	15.10	19.40	2228.78	2207.41	2207.91	1675.35
6	Mechanical Engineering (54)	520.70	-0.4	10.22	4.05	12.04	7.66	522.64	518.02	524.44	482.68
8	Metals and Metal Forming (7)	529.72	-1.3	18.91	5.65	5.83	1.04	536.65	533.50	538.50	477.67
9	Motors (17)	320.30	----	11.63	4.74	10.09	6.83	320.32	320.51	324.80	277.11
10	Other Industrial Materials (22)	1565.98	-0.1	9.61	4.35	12.43	25.11	1568.31	1559.52	1573.80	1302.46
21	CONSUMER GROUP (187)	1208.33	-0.2	9.18	3.74	13.63	15.94	1210.64	1204.86	1212.11	1090.33
22	Brewers and Distillers (22)	1328.05	+0.7	10.23	3.64	12.29	16.84	1318.95	1309.65	1314.42	1139.23
25	Food Manufacturing (20)	1072.85	-0.5	9.61	3.91	13.02	15.69	1078.05	1070.88	1070.83	974.71
26	Food Retailing (15)	2337.31	+0.1	8.65	3.26	15.18	25.59	2335.62	2298.84	2288.86	2034.86
27	Health and Household (14)	2166.77	-0.7	6.85	2.74	16.58	21.11	2181.41	2179.47	2202.46	1863.92
29	Leisure (33)	1620.61	-0.2	7.83	3.50	15.99	21.02	1623.30	1621.62	1639.00	1348.02
31	Packaging & Paper (15)	565.16	-0.1	10.22	4.34	12.38	7.10	565.64	568.40	574.03	509.06
32	Publishing & Printing (19)	3513.00	-0.4	8.77	4.72	14.39	44.70	3526.44	3535.81	3581.40	3441.04
34	Stores (34)	791.12	-0.5	11.48	4.56	11.48	12.47	794.91	790.79	797.54	821.65
35	Textiles (15)	529.80	+0.2	11.31	5.47	10.65	13.42	528.97	528.81	533.99	598.40
40	OTHER GROUPS (94)	1117.62	-0.1	10.17	4.19	11.97	12.26	1118.71	1109.74	1121.40	900.45
41	Agencies (18)	1353.81	-0.8	7.01	2.43	17.76	14.91	1364.94	1361.22	1370.02	1201.00
42	Chemicals (22)	1269.30	-0.2	11.24	4.69	10.49	26.38	1271.90	1268.02	1266.69	1063.26
43	Conglomerates (12)	1576.37	+0.5	10.68	5.08	11.05	20.16	1568.47	1555.38	1574.98	1209.53
45	Transport (13)	2425.69	+0.2	8.70	3.72	14.94	30.81	2422.81	2417.00	2458.60	1928.07
47	Telephone Networks (2)	1120.20	-1.5	11.14	4.43	11.65	0.00	1137.57	1133.03	1143.75	960.56
48	Miscellaneous (27)	1665.38	+1.5	9.57	3.58	11.86	22.36	1640.19	1600.91	1630.26	1185.73
49	INDUSTRIAL GROUP (486)	1136.30	-0.2	9.98	3.98	12.35	14.51	1138.60	1132.32	1141.98	973.93
51	Oil & Gas (14)	2052.57	+0.1	10.52	5.50	12.63	51.08	2050.60	2049.60	2058.99	1869.60
59	500 SHARE INDEX (500)	1214.00	-0.2	10.05	4.17	12.39	17.48	1216.07	1210.00	1219.77	1049.65
61	FINANCIAL GROUP (123)	721.51	-0.3	-	5.40	-	16.71	723.49	726.57	730.03	715.23
62	Banks (8)	715.56	-0.7	24.95	6.69	5.26	21.71	720.49	723.36	728.40	677.32
65	Insurance (Life) (8)	1046.00	-0.4	-	5.71	-	29.86	1050.52	1055.47	1065.51	1053.43
66	Insurance (Composite) (7)	561.38	+0.3	-	6.11	-	16.75	559.54	562.44	563.49	563.22
67	Insurance (Brokers) (7)	969.50	+0.3	7.79	6.46	17.27	27.18	966.31	970.74	967.81	1000.00
68	Merchant Banks (11)	328.08	-0.9	-	4.60	-	3.70	331.12	331.79	329.94	368.51
69	Property (52)	1280.72	-0.1	6.49	2.95	19.62	13.81	1281.59	1286.74	1299.00	1249.40
70	Other Financial (30)	360.03	-0.1	11.55	6.11	11.04	6.25	360.29	361.94	362.52	390.59
71	Investment Trusts (71)	1142.91	----	-	2.85	-	12.92	1143.09	1141.14	1142.15	901.78
81	Mining Finance (2)	618.26	+0.3	10.03	4.12	11.10	10.45	616.32	614.31	616.67	543.40
91	Overseas Traders (8)	1276.33	----	11.00	5.81	9.64	34.45	1276.20	1281.36	1292.41	1140.67
99	ALL-SHARE INDEX (704)	1092.63	-0.2	-	4.32	-	17.16	1094.50	1090.77	1098.86	962.26

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 14	Jun 13	Jun 12	Jun 9	Jun 8	Year ago
FT-SE 100 SHARE INDEX‡	2129.6	-4.0	2143.2	2129.6	2133.6	2123.8	2138.3	2142.1	2143.4	1861.9

FIXED INTEREST

	PRICE INDICES	Thu Jun 15	Day's change %	Wed Jun 14	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	116.39	+0.09	116.46	0.17	5.61
2	5-15 years	129.01	+0.53	129.21	0.88	6.34
3	Over 15 years	139.09	+0.80	137.98	-	6.81
4	Irredeemables	161.56	+0.91	160.10	-	6.34
5	All stocks	127.54	+0.42	127.55	0.54	6.23
	Index-Linked					
6	5 years	135.28	+0.24	134.96	-	1.36
7	Over 5 years	131.54	+0.27	131.18	-	1.60
8	All stocks	131.71	+0.27	131.35	-	1.56
9	Debentures & Loans	113.04	+0.15	112.88	-	5.14
10	Preference	87.47	-0.02	87.49	-	3.04

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 15	Wed Jun 14	Year ago (approx.)
	British Government				
1	Low	5 years	10.11	10.13	8.84
2	Coupons	15 years	9.71	9.76	9.18
3		25 years	9.52	9.59	9.02
4	Medium	5 years	11.25	11.33	9.32
5	Coupons	15 years	10.18	10.28	9.38
6		25 years	9.70	9.81	9.20
7	High	5 years	11.39	11.44	9.41
8	Coupons	15 years	10.39	10.49	9.52
9		25 years	9.88	9.99	9.26
10	Irredeemables	†	9.48	9.57	9.06
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.83	3.89	2.62
12	Inflation rate 5%	Over 5 yrs.	3.81	3.83	3.80
13	Inflation rate 10%	5 yrs.	3.12	3.18	1.71
14	Inflation rate 10%	Over 5 yrs.	3.66	3.67	3.65
15	Debs &	5 years	11.91	12.16	10.21
16	Loans	15 years	11.64	11.77	10.54
17		25 years	11.37	11.38	10.57
18	Preference	†	10.31	10.31	9.61

‡Opening index 2142.6; 10 am 2137.7; 11 am 2138.2; Noon 2139.4; 1 pm 2142.0; 2 pm 2137.4; 3 pm 2139.5; 3.30 pm 2136.7; 4 pm 2133.9
(a) 9.08am (b) 4.50pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	90	2	14
Corporations, Dominion and Foreign Bonds	16	5	21
Industrials	313	449	824
Financial and Properties	151	108	401
Oils	30	18	46
Plantations	1	0	11
Mines	25	33	121
Others	98	43	111
Totals	724	658	1,549

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$100	F.P.	-	106	93	Altrust New Dawn Inv. Tst.	100		-	-	-	-
-	F.P.	-	60	48	Do. Warrants	53		-	-	-	-
§140	F.P.	-	175	140	‡Alan Paul 5p	161	-5	L2.5	2.6	2.1	19.4
165	F.P.	-	210	198	‡Ball (A.H.) 5p	210		L6.0	1.9	3.8	16.8
§100	F.P.	-	126	108	‡Bonmore Intl. 10p	120		u5.2	1.9	5.8	11.6
175p	F.P.	-	201	185	Butler Cox 5p	197	+1	L4.0	2.5	2.7	18.4
180	F.P.	23/6	216	180	Community Hosp. Grp £1	215	-1	R4.5	1.4	2.8	19.7
FL47	F.P.	-	£17¼	£16⅛	DAF N.V. Fl.5	£16½	+⅛	NQ2.5	1.8	4.4	12.7
85	F.P.	-	96	84	‡Diamond Group Hldgs 5p	95		L1.13	4.7	1.6	18.0
50	F.P.	-	65	56	Dunelon Tyson 10p	58		u0.75	1.6	1.7	48.5
‡	F.P.	-	101	61	Ex-Lands Warrants	65	+2	-	-	-	-
130	F.P.	-	141	130	‡Faupel Trading 5p	131	-1	L4.88	2.4	5.0	10.0
160	F.P.	-	173	160	‡Hadleigh Inds. 50p	171		4.5	3.1	3.5	10.1
†	F.P.	-	140	125	Hardy Oil & Gas 50p	133	+1	-	-	-	-
Ir76	F.P.	-	77	65	‡Kingspan Gp Ir20p	76	-1	L1.71	3.6	3.0	10.0
§58	F.P.	-	66	56	‡Micklin Group 20p	60		Wd1.38	4.5	3.0	8.1
†	F.P.	-	£11⅞	£11½	Mitsubishi Tst & Bank Y50	£11½	-⅛	Q16%	8.2	3.1	39.5
†	F.P.	-	49½	45½	‡Oliver Resources Ir5p	49½		-	-	-	-
90	F.P.	-	108	90	‡Plastiseal 5p	105	-1	L3.78	2.3	4.8	12.2
-	F.P.	-	178	158	‡Quarto (Read Trans) 10c	161		6.0	-	5.0	-
§125	F.P.	-	152	135	Sheffield Insulations 10p	135	-1	L4.25	2.2	4.2	14.3
105	F.P.	-	120	111	‡Smith (James) Estates	118		u3.0	0.9	3.4	34.9
§60	F.P.	-	67	63	‡TLS Range 5p	67	+2	u2.7	1.1	5.4	13.0
Ir48	F.P.	26/5	89	67	‡Xtra-Vision Ir5p	70	+2	oQ23.9	2.5	1.4	29.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
-	F.P.	-	106p	101p	Ackley Grp. 8¼pc (Net) Cm Rd Cv Pf	106p	
100p	F.P.	-	100¼p	99p	Co-Operative Bk. 9¼pc Non-Cum Ir. Pf	99p	
◆	F.P.	-	103p	100p	Evode 7p (Net) Cm. Red. Pf.	101p	
100p	Nil	-	4pm	2pm	Hartwell 7¾p (Net) Cv.Pf. £1	2pm	
-	F.P.	-	100	98¾	N'wide Anglia 12⅞pc 19.3.90	98¾	-⅛
-	F.P.	-	100⅛	98⅞	Do. 13¼pc 23.4.90	98⅞	-⅛
-	F.P.	-	100	98⅞	Do. 13pc Bds 14.5.90	98⅞	-⅛
-	F.P.	-	100	99	Do. 13⅞pc Bds 4/6/90	99	-⅛
£99.1	£25	-	28½	25	Do. 4.25pc Index-Linked 2024	25¼	
100p	F.P.	-	100½p	98¾p	Spaybank 9.75pc Cum Red. Pf. 2014	98¾p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
9	6	8/9	9½pm	7½pm	Beer Brand	9pm	+½
Ir175	F.P	7/7	272	227	CLF Yeoman	260	
40	Nil	16/6	29pm	12pm	Fairway (London)	29pm	+7
61	Nil	-	10pm	1½pm	Fife Indmar	9pm	
265	Nil	18/7	50pm	36pm	Gold Greenlees Trott	36pm	-2
40	Nil	11/7	7pm	¾pm	‡March Grp.	¾pm	
60	Nil	27/7	11pm	8pm	Richardsons Westgarth 10p	8pm	
8	Nil	-	½pm	¼pm	‡Southwest Res. A 2p	¼pm	
115	Nil	18/7	6pm	2pm	T & S Stores 5p	3½pm	+½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ‡Placing price. †† Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. § Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jun 12
- Last Dealings Jun 23
- Last Declarations Sep 14
- For settlement Sep 24

For rate indications see end of London Share Service

Calls in Polly Peck, Copson, Arabex, AmalFin, Brook Tool, BAA, Amber Day, Amal Labs, Lloyds, Tusker, Medirace.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*443)	420	31	50	60	4½	9	13
	460	9	24	36	24	27	30
	500	3½	10	18	60	60	61
Brit. Airways (*201)	180	24	32	36	1	2½	6
	200	8½	18	23	5	9	12
	220	3	9	13	20	21	21
Brit Com (*171)	160	18	26	28	6	8	11
	180	6	15	17	13	16	20
	200	3	7	10	32	32	32
Beecham (*620)	550	78	103	115	2	5	10
	600	35	60	76	9	18	23
	650	11	31	48	37	42	47
Boots (*285)	260	25	34	42	3	7	9
	280	9	22	28	10	15	18
	300	3	13	19	25	26	29
B.P. (*296)	260	40	46	51	⅛	2½	4¼
	280	22½	27½	36	2	6	8½
	300	8	16	22	9½	12	15
British Steel (*84)	80	4½	8	12	5¼	6¼	8½
	90	½	4½	7½	13½	13½	14
	100	¼	2½	4	22½	23½	22½
Bass (*993)	900	107	137	152	2	6	12
	950	62	97	110	7	13	23
	1000	25	62	77	23	32	40
C & Wire (*477)	420	65	87	102	6	13	20
	460	35	60	76	17	27	33
	500	15	40	58	40	49	55
Cons. Gold (*1265)	1200	105	135	165	20	40	50
	1250	70	95	140	40	65	75
	1300	45	75	115	65	95	105
Courtaulds (*330)	300	36	51	57	2	6	7
	330	12	28	39	9	13	18
	360	4	13	23	31	33	34
Com. Union (*364)	360	16	24	36	7	13	16
	390	4	11	20	28	34	36
	420	2	4	-	58	62	-
G.K.N. (*391)	360	37	49	62	1½	8	10
	390	19	30	42	9	18	20
	420	4½	16	27	30	34	37
Grand Met. (*540)	500	51	63	81	2	7½	13
	550	15	31	49	18	26	31
	600	3½	13	25	61	62	63
I.C.I. (*1270)	1200	92	118	160	8	19	27
	1250	52	82	125	18	35	42
	1300	22	55	95	43	62	70
Jaguar (*359)	330	39	49	63	3	10	15
	360	17	32	46	13	23	27
Kingfisher (*290)	280	20	29	39	5	9	13
	300	7	17	27	14	18	21
	330	1½	7	13	42	43	44
Ladbroke (*574)	550	37	58	68	7	14	20
	600	10	30	41	33	36	42
	650	2	13	23	80	80	82
Land Secur (*556)	550	23	47	60	9	14	17
	600	4½	21	32	47	47	48
	650	1	-	-	97	-	-
M & S (*190)	180	14	22	25	2½	4½	6½
	200	3½	10	14	12	12	13
STC (*536)	330	36	50	61	4	10	13
	360	16	32	44	14	22	24
	390	5	18	30	36	40	42
Salnsbury (*261)	220	44	52	60	1½	3	3½
	240	24	34	43	3	4½	6
	260	8	18	26	8	9	12

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Shell Trans. (*410)	360	-	66	74	-	4	5
	390	30	39	53	5	10	13
	420	11	19	31	13	20	25
Storehouse (*154)	140	17	21	26	3½	6½	9
	160	5	14	17	18	21	22
Trafalgar (*356)	347	21	34	42	2	11	19
	377	7	20	27	24	28	34
Utd.Biscuits (*337)	300	43	57	64	2	4	6
	330	18	34	42	7	12	15
	360	5	17	25	26	29	33
Unilever (*575)	500	85	102	115	1	3	4
	550	36	59	73	4½	10	14
	600	7	29	44	28	30	34
Ultramar (*302)	280	30	42	52	3	7	11
	300	15	32	38	12	15	18
	330	4	14	20	32	36	38
Option		Aug.	Nov.	Feb.	Aug.	Nov.	Feb.
Brit Aero (*674)	650	51	75	100	17	29	34
	700	23	48	70	40	55	57
BAA (*347)	330	23	46	51	6	13	16
	360	9	25	33	22	28	32
	390	2½	11	-	50	52	-
BAT Inds (*656)	550	118	131	152	2	5	10
	600	71	91	115	6	15	18
	650	37	56	77	21	32	35
BTR (*370)	360	22	35	47	7	13	16
	390	7	19	28	23	29	29
	420	2	9	17	51	52	52
Brit. Telecom (*277)	260	22	30	34	4½	7	8½
	280	7	17	23	14	15	16
	300	1½	9	-	31	31	-
Cadbury Sch (*354)	330	35	48	59	3	6	9
	360	15	27	39	14	18	20
Guinness (*502)	420	90	104	-	2	4	-
	460	52	72	88	4	9	11
	500	27	44	60	15	21	24
GEC (*239)	220	23	31	37	3	5	7
	240	10	18	23	10½	12	14
	260	2½	9½	13	27	28	29
Hanson (*203)	200	9½	19½	22½	4½	6½	9
	220	2	9½	12	18	19	19½
LASMO (*460)	441	40	60	-	9	16	-
	460	-	-	62	-	-	33
	479	17	38	-	33	38	-
P. & O. (*628)	600	47	67	82	8	20	21
	650	20	37	55	30	42	47
	700	6	20	33	75	77	80
Pilkington (*224)	220	9	21	26	10	13	16
	240	3½	11	17	26	26	28
	260	2	6½	10	45	45	46
Plessey (*263)	240	30	37	41	2	4½	6
	260	15	24	26	7	8½	10
	280	4	10	13	19	20	22
Prudential (*173)	160	19	23	28	3	4	5
	180	6	11	16	9	13	14
	200	2	4	8	28	28	29
Racal (*525)	500	46	73	90	15	26	31
	550	18	44	64	40	49	55
	600	9	28	45	82	87	88
R.T.Z. (*494)	460	47	65	77	3	10	14
	500	19	37	52	18	25	30
	550	5	19	27	57	60	65
Scot. & New (*320)	300	27	33	43	8	14	16
	330	10½	19	27	22	27	30

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Tesco (*186)	160	30	35	41	2	2½	3½
	180	12	19	25	5	7	8
	200	4	9	14	16	18	19
Option		July	Sep.	Nov.	July	Sep.	Nov.
ASDA Grp. (*170)	160	18	22	24	2½	5	6
	180	7	10	13	11	14	15
Gateway (*211)	200	14	14	15	3	5	7
	220	2½	4	4	12	12	12
Option		Jun	Sep	Dec	Jun	Sep	Dec
Amstrad (*82)	80	7	13	17	5	8	12
	90	3	8	14	12	14	17
Barclays (*436)	420	20	34	42	2	9	11
	460	2	12	20	26	34	36
Blue Circle (*532)	500	36	58	72	2	12	18
	550	5	29	44	24	34	38
	600	1½	12	24	70	70	76
British Gas (*183)	160	24	25½	28	½	2	3
	180	5	8	13½	2	8½	10
	200	½	1¼	5	17½	22	22
Dixons (*142)	140	7½	15	20	4½	10	14
	160	2	8	12	19	25	27
	180	1	4	8	39	41	43
Glaxo (*1339)	1300	53	110	137	6	23	35
	1350	18	75	102	23	43	55
	1400	5	47	75	65	75	82
Hawker Sidd. (*690)	650	45	80	92	2	17	20
	700	8	50	62	20	32	40
	750	1½	27	40	62	65	67
Hillsdown (*268)	240	32	43	-	1	3	-
	260	14	28	36	2½	7	9
	280	2½	15	23	14	16	17
Lonrho (*268)	257	16	24	32	2	9	12
	283	2	10	18	17	24	28
	309	1	4	8	44	47	49
Midland Bk (*340)	329	15	24	34	2	10	11
	357	3	11	-	19	26	-
R. Royce (*190)	160	31	38	40	½	1½	4
	180	12	22	26	1½	5½	11½
	200	1½	9½	15	11¼	14½	17
Sears (*115)	110	6½	12	16	1	3	4
	120	2	6½	10	6½	8	9½
	130	½	3	6	16	16	17
THF (*314)	280	36	45	57	1	3	5
	300	18	31	42	2	8½	11
	330	3	14½	24	18	22	25
Thorn EMI (*727)	650	83	85	100	1	5	10
	700	35	46	63	2½	18	26
	750	5	21	35	25	45	52
TSB (*105)	100	6	8½	13	1	3½	3½
	110	1½	3½	6	6	9	9½
	120	1	2	4	16	17	18
Vaal Reefs (*570)	70	-	8	10	-	5	7
	80	-	3½	4	-	12	15
Wellcome (*422)	420	12	33	46	9	19	22
	460	2	15	27	40	42	45
	500	1	7	15	80	80	80

FT-SE INDEX (*2134)

	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
1900	237	256	-	-	1	3	-	-
1950	187	208	220	235	1½	5½	10	13
2000	139	162	175	193	2½	10	15	20
2050	91	118	135	153	7	17	22	30
2100	48	80	97	118	15	30	36	43
2150	20	49	67	85	39	50	56	61
2200	6½	28	45	60	79	83	97	93
2250	1½	14	27	38	126	126	128	130

June 15 Total Contracts 51,400
Calls 33,909 Puts 17,491
FT-SE Index Calls 5,390 Puts 4,123
*Underlying security price.

UK COMPANY NEWS

Payment of £240,000 made to buy out contracts of ex-chief executive

Chloride profits run down 33% to £12m

By Clay Harris

CHLORIDE GROUP, the troubled battery company, yesterday reported pre-tax profits of £12.2m for the year to March 31, a 33 per cent decline from the £18.2m achieved in 1987-88.

Earnings per share plummeted from 3.7p to 0.9p as the tax charge soared from 38 per cent to 57 per cent because of heavy reliance on profits from high-tax Third World countries.

The result included an £1.8m loss from Altus, a US lithium battery group in which Chloride bought a 51 per cent stake for £7m last summer. Less than a month ago, Chloride described initial results from Altus simply as "disappointing."

Group profits would have been even lower, however, leading to a loss per share had Chloride not decided to treat as extraordinary a net £3.8m in operating losses from two divisions subsequently sold for a total of £70m.

Chloride, meanwhile, has agreed to pay £240,000 to buy out the contracts of Mr Kent Price, the American who resigned abruptly in April after 2½ years as chief executive. Mr Price's basic annual salary was £140,000.

It also warned that profits in the first half of the current year would fall below the £7.7m reported at the interim stage in 1988-89.

Mr Ray Horrocks, chairman, said the results from the European motive power division and Exide Europe, the European automotive battery business, had been taken below the line from the dates the decisions were made to sell them.

Before this adjustment, motive power showed a profit of £4.8m and Exide a loss of £4.6m. The accounting treatment is unusual but not unprecedented; in 1988 it was used in similar circumstances, for example, by Bunzl, the distribution and specialist manufacturing group.

Above the line, the automotive division contributed profits of £7.6m (£7.1m) and industrial £7m (£11.7m).

Electronics activities went £300,000 into the red from a £1.8m profit. Losses in the power supply business and a break-even result from the stand-by power arm offset the profits from emergency lighting systems.

Allied products – comprising a manufacturer of plastic battery cases, a metal smelter and a metal-cutting company – saw profits stable at £900,000. With the disposal of the European battery side, these are now non-core businesses. Mr Horrocks said: "If good and sensible offers are received which would take them to good homes, we're willing to talk."

Ray Horrocks: willing to talk about non-core disposals

Turnover rose by 12.1 per cent to £345.3m (£307.9m). By division, automotive accounted for £113.1m (of which £76m came from continuing activities), industrial for £128.3m (£72m), £17.7m from allied products and £86.2m from electronics.

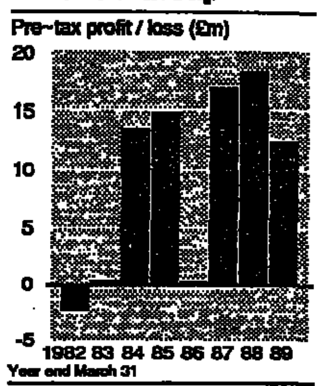
Interest payments rose to £9.6m (£5.8m), and the tax charge rose to £7m (£6.9m) despite the sharp fall in profits.

Attributable profits rose to £10.3m (£4.9m) because of an £8.2m extraordinary credit (£3m debit).

A lower final dividend of 0.55p (1.5p) cuts the total to 1.1p (2p), as forecast last month.

Dr Maurice Gillibrand, a former Chloride research director who led unsuccessful opposition to the motive power disposal, said yesterday: "Confidence in the management of the company will only be restored if Ray Horrocks can convince shareholders that steps have been taken to eliminate the incompetence now so tragically apparent in the sale of profitable motive power to finance a loss-making acquisition."

Chloride Group



● COMMENT

Any notion that Chloride had exhausted its capacity for producing unpleasant surprises was dashed yesterday with the revelation of what an understatement "disappointing" had been with regard to Altus. The deficit at power supplies also seems to have come from out of the blue. If the unusual accounting treatment only stops things from looking much worse, at least it has the merit of establishing a comparable base for future years. The fact that the shares finished unchanged at 38p suggests that the current management can only do better. If they don't, perhaps someone else will have a go. One place they have their work cut out is in the tax-inefficient overseas divisions. Reorganisation and perhaps some tweaking of transfer pricing may help in the short term but is not a final solution. Shorn of motive power, operating profit this year is unlikely to exceed the £21.4m achieved in 1988-89, but lower interest payments should allow the pre-tax figure to advance to £17m. With a tax charge in the mid-40s, the prospective multiple of 17 is indefensibly high on fundamentals, but probably about right on seat-of-the-pants recovery prospects.

Bitter conflict at LUI over relationship with US reinsurer

By Nick Bunker and Edward Sussman

A BOARDROOM row at London United Investments, the specialist insurer, flared into open acrimony at the group's annual general meeting yesterday when dissident shareholders demanded further explanation of the company's controversial relationship with US-based Russell Reinsurance.

The meeting also featured open dissent from Mr Colin Forsyth, a rebel LUI director. He accused the rest of the board of failing to make full disclosure about personal stakes in Russell held by some directors. He told shareholders that, in Russell, they were being "handed something which is a future liability."

The dissidents, led by Mr Geoff Kettlewell of the Lucas Industries pensions fund, failed by 10.8m votes to 865,954 votes in an attempt to block the meeting from adopting LUI's annual accounts.

To appease large institutional shareholders though, Mr Ronnie Driver, LUI's chairman and chief executive, had to accept yesterday a three-point plan from the group's largest shareholder, Govett Strategic Investment Trust, with 6.97 per cent of its equity.

In a move aimed at rebuilding confidence in LUI, Mr Mark Cornwall-Jones, a director of the John Govett fund management group, had proposed that LUI should find a new managing director from outside the group, appoint additional non-executive directors and form a shareholders committee to re-examine the Russell Re affair.

Investment institutions, which hold 87 per cent of LUI's shares, have been upset by the way its share price has plummeted from 333p in 1987 to 69p last night, partly over fears about just how adequate were its reserves for US liability insurance claims.

LUI's future is also of serious concern to the major Anglo-American insurance brokers, Marsh & McLennan, Alexander & Alexander, and Sedgwick, which have used it for many years as a provider of casualty insurance for the major US corporate clients.

It seemed likely last night that if the steps proposed by Govett were not taken soon, Lucas or other dissident institutions might requisition an extraordinary general meeting, perhaps to ask the board to stand down. One absentee from yesterday's meeting was LUI director, Prince Michael of Kent, the Queen's cousin.

Russell's existence emerged publicly last month in LUI's annual report. It showed that Mr Driver and his deputy Mr Peter Wilson failed from 1977 until late 1988 to reveal in published accounts that they were shareholders in Russell, even though it had extensive business dealings with LUI.

After an investigation by the rest of the board earlier this year their shares in Russell Re and those of a retired associate, Mr Harold Weavers, were then handed over free to LUI, itself, together with a cash dividend of $300,000 (£182,000) that was paid in 1986. Mr Driver and Mr Wilson say though that they never considered themselves to have a personal interest in Russell, but were instead acting on behalf of LUI.

Mr Driver, who said he is stepping down as LUI's chief executive but remaining as chairman, tried to pre-empt argument yesterday with a statement about what he called "certain inaccurate comments in the press" about Russell Re.

He admitted that "paperwork relating to the shareholdings of this company left much to be desired," but said that neither he nor his colleagues had received any remuneration or other benefits from Russell.

Mr Driver was instantly challenged though by Mr Peter Leonard, of the Gartmore fund management group, who said he spoke for 5m of LUI's 58m shares.

Mr Leonard said Russell Re was a "poisoned chalice", because it would face the burden of administering claims expected to flow in from insurance business which it underwrote in the US. In particular, Russell handled insurance business for Missouri-based Transit Casualty, a US insurer which collapsed in December 1985 in the second largest insolvency in US insurance history.

He also expressed astonishment at the fact that Russell Re's only remaining client is First Reinsurance of Hartford, another LUI subsidiary.

The intervention from Mr Colin Forsyth, a director of LUI, came when another LUI director said the board had been unanimous in approving the statement about Russell in the annual report. Mr Forsyth said Russell had been set up in 1977 "without a whisper to the board".

Gateway rapped by Panel

By Nikki Tait

THE TAKEOVER Panel, the UK watchdog on bids and deals, yesterday rapped Gateway and its advisers over a property appraisal contained in its last defence document. The food retail group is currently facing a hostile £1.87bn leveraged bid from the newly-formed Isosceles group.

The Panel said the valuation did not conform to the requirements set out in the Takeover Code for property valuations.

"The Panel is concerned that shareholders may place undue reliance on figures produced by an appraisal which might or might not have been confirmed by the more exhaustive examination necessary for a valuation", it added.

The code requires valuations to be supported by an independent valuer, with attention drawn to the Royal Institute of Chartered Surveyors guidance notes. The RICS's requirements include a safeguard that a valuation certificate will usually be issued after physical inspection of the properties. With prior approval of the Panel, exceptions to this approach can be made.

In the case of the Gateway valuation, no physical inspection was undertaken, and the company's advisers did not consult the Panel beforehand. The Panel says that it accepts that the appraisal was published in good faith and that there was a time constraint. However, it adds that there was a clear question whether publication of this appraisal was permitted by the code, and "a matter of concern" that it was not consulted.

Lazard Brothers, one of Gateway's advisers, said they did not wish to comment on the Panel statement but pointed out that a full valuation would have taken three months. Isosceles, however, maintained that the property appraisal was symptomatic of Gateway's defence in general – which, it alleges, contains various unsubstantiated claims.

Shares in Gateway eased 1¾p to 210¼p – ¼p above the Isosceles offer price – with the bidder making no further purchases. As rumours of alternatives to the Isosceles bid continued to circulate, Gateway's only official comment was that it was still exploring alternative, higher possibilities.

MSR calls for £17.5m

By David Waller

MIDLAND & Scottish Resources – formerly known as Jebsens Drilling – is making its first significant corporate move since it took its new shape in February this year.

MSR is paying £9.82m in shares to acquire Midland & Scottish Energy, a wholly owned subsidiary of Midland & Scottish Group, the private company which took 75 per cent of Jebsens earlier this year.

At the same time, MSR is raising a net £17.47m via a 4 for 11 rights issue. This will be used to repay the company's borrowings and will leave it with net cash of some £8m.

All in all, MSR's equity will expand by 35m shares against the 64m shares in issue already.

MSE is a field partner in the Emerald Oil Field to the East of the Shetland Islands in the North Sea, its principal asset being a 44.2 per cent interest in that field.

Proved recoverable reserves of the field amount to 43m barrels of oil, with likely recoverable reserves at 64m barrels.

In order to finance the development of the field, MSR has arranged borrowing facilities totalling £154.7m, £94m of which is fixed at 10.5 per cent.

MSG is not taking up its entitlement in respect of all its shares in MSR and its holding in the latter will drop from 75.1 to 60.2 per cent.

The new shares are being offered at 78p per share; the shares closed 1p down yesterday at 88p.

Investment Co. advances 50%

The Investment Company raised pre-tax profits by 50 per cent from £1.67m to £2.5m for the year ended March 31 1989, after including an increased surplus of £1.45m, against £0.76m, on changes of investment.

After tax of £652,302 (£407,027) earnings per 25p share were up from 2.41p to 2.94p. The directors recommend a final dividend of 0.65p making a total in effect increased from 0.65p to 0.9p.

Gross revenue increased from £1.11m to £1.84m.

BET issues another share tranche in US

BET, the international services group, yesterday said it would issue the latest $195m tranche of variable dividend preference shares through a public offering in the US in August.

Also to be registered with the Securities and Exchange Commission are the shares issued in the original $165m private placement in March. When BET announced its $500m programme in February it said it was the first UK company to tap this uniquely US market.

United Drug up to I£958,000

United Drug has increased its first half pre-tax profit from I£744,000 to I£958,000, equal to £835,000, and is confident of a successful year.

In the six months ended March 31 1989 turnover rose to £24.88m (£21.72m). The company increased its share of the pharmaceutical wholesale market, and was encouraged by the growth at Pemberton, the consumer marketing company, and by Ulster Anaesthetics in the hospital supply market.

The interim dividend is again 1.585p.

Better equipped to face the future

Johnson Matthey's £64m matches City forecasts

By Kenneth Gooding, Mining Correspondent

BATTLING AGAINST falls in the prices of precious metals, adverse exchange rate movements and high interest rates, Johnson Matthey, the precious metals refining and marketing group, managed a 6.3 per cent increase in taxable profit for the year to March 31, from £60.6m to £64.4m.

JM is recommending an 8p dividend for the year, an increase of 1p, via a final of 5.5p

The result was in line with most analysts' expectations but the share price slipped after the announcement.

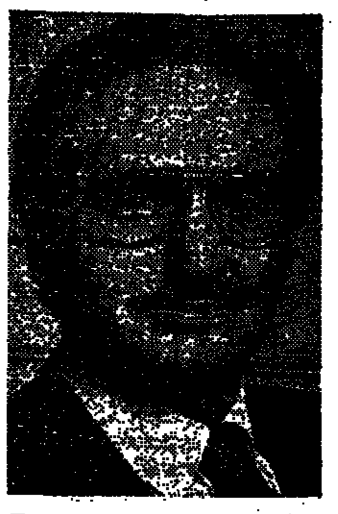
Mr Eugene Anderson, the chief executive, said that so far in the current year "the general tempo of the business was about the same" but the group was benefiting from the rise in the dollar's value.

"JM in 1989 is better equipped to face the future than it has ever been. We look to the 1990s with confidence," he added.

The group is the world's biggest platinum refining and marketing organisation so its profits are sensitive to platinum price movements. Last year the average price was £308 a troy ounce, 5 per cent below the £323 in 1988.

Adverse exchange rates wiped about £1m off profits which, together with the reduced platinum prices and higher interest rates, cut profits by between £3m and £4m.

Mr Anderson made it clear that JM wants to make a major acquisition to reduce its reliance on platinum. He said yesterday that a number of possibilities were being reviewed but he had no idea how long it would take to complete any deal. "It takes two to tango," he added.



Eugene Anderson – benefiting from the dollar's value

The group, which in 1985 was brought to its knees by the collapse of its banking subsidiary, now has the financial strength for a big acquisition. Net borrowings were reduced during the year by £16.4m to £3.9m. JM generated £80m of cash and spent £60m. Shareholders' funds rose by £66.6m to £322.1m.

Much will depend on the attitude of its major shareholder, Charter Consolidated which has 38 per cent. Charter is currently being reorganised by its major shareholder, Minorco, the South African-controlled investment company. Mr Anderson, when questioned about JM's relationship with Charter, said "it's business as usual."

There still had been no contact with the Cookson group which owns about 8 per cent of JM, he added.

JM's turnover for 1988-89 increased from £1.24bn to £1.48bn. Operating profits were up 7.3 per cent to £67.6m. Interest charges were £0.8m up at £3.2m. Earnings per share on a fully diluted basis rose by 14.1 per cent to 28.4p and profit attributable to shareholders by 45.2 per cent to £64.2m.

Extraordinary items contributed £12.3m and benefited from the settlement with Arthur Young, the group's former auditors.

Only the materials technology division suffered a fall in operating profit last year, from £24.3m to £23.5m. Operating profit in the precious metals division was up 2.2 per cent to £23m; the catalytic systems division achieved a 19.9 per cent increase to £18.7m and the colours and printing division profits were up by 8.2 per cent to £10.6m.

See Lex

Next sells carpet distributor for £20m

By Lisa Wood

NEXT, the high street retail and mail order group, yesterday announced the sale of M Mercado, its Leeds-based specialist distributor of carpets, to Caxtongrove, a company formed by Phildrew Ventures and the management of Mercado.

The deal values Mercado at £20.3m which includes the repayment of intra group debt and the assumption of Mercado's bank borrowings.

The disposal, said Next, was a continuation of the strategy of concentrating on its core activities following the review last year. Other disposals include Zales, Salisburys and Allens.

The management team of Mercado, led by Mr John Wharton and Mr Roger Ellis, the joint managing directors, have an 11 per cent stake in the business. Next will retain a 10 per cent stake and Phildrew Ventures will retain 50 per cent of the equity after selling equity to institutions.

Mercado is a specialist distributor of rolls and cut lengths of carpet, rugs, carpet tiles and vinyl to the independent retail trade. In the year ended January 31 it made pre-tax profits of £2.9m on sales of £22.7m.

WPP/Ogilvy

WPP, the advertising and marketing services group has secured shareholder approval for its proposed acquisition of US agency company, Ogilvy Group. The formal resolutions were voted through unanimously at an egm. The tender offer for Ogilvy closed at midnight, last night, in New York.

Scapa up 9.8% despite currency loss

By Philip Coggan

SCAPA GROUP, the manufacturer of specialist products for the paper and printing industries, yesterday unveiled a 9.8 per cent increase in pre-tax profits in the year to March 31, in spite of adverse currency movements.

Last year's strong pound and weak dollar caused the group's US profits, which are more than 50 per cent of the total, to be translated at a less advantageous rate than during the previous year.

The translation effect knocked £1m off profits and the strength of the pound also slimmed margins on exports, costing around another £2m.

Total pre-tax profits were £39.25m (£35.76m) on turnover of £254.8m (£242.1m).

Interest payable rose to £5.81m (£5.17m). After tax of £13m (£11.37m) and minority interests of £266,000 (£226,000) earnings per share were 29.3p (27.4p). There was an extraordinary debit of £6.28m (£4.64m) relating to disposal costs. The directors are proposing a final dividend of 6.23p (5.42p), making a total of 8.77p (7.68p).

Capital expenditure hit a record level of £21m and a new management structure was established, on a divisional rather than geographical basis.

The previous year's figures have been adjusted to reflect a change in the accounting policy for deferred overseas taxation. A one-for-one scrip issue is being proposed.

● **COMMENT**

Scapa is yet another company which will not be shedding too many tears if the pound continues its downward course. Both its export margins and its US profits will look a lot healthier if the pound stays at $1.50. The group's business position seems quite sound – its principal customers are in the paper industry which is enjoying solid growth – and its products are added-value (in other words, they earn high margins). And as the paper industry faces more exacting standards from its customers, it may want more of Scapa's products. If sterling stays around current levels, pre-tax profits could reach £45m this year, putting the shares, up 11p at 294p yesterday, on an undemanding prospective p/e of 9.

Lowe buys rest of Lowe Marschalk

By Nikki Tait

LOWE HOWARD-SPINK & Bell, the advertising and public relations agency, is buying out the remaining capital stock in Lowe Marschalk, the US agency where it already holds a 30 per cent interest.

The stock is coming from Interpublic, the large US advertising group, which sold the original 30 per cent interest to Lowe back in 1985.

As a result, IPG will increase its stake in Lowe from just under 25 per cent of the equity to 35.7 per cent.

However, in order to avoid the requirement of a full bid, IPG is being issued shares with restricted voting rights in Lowe as consideration. As a result, its control of the voting rights will be only 28.9 per cent.

Lowe Marschalk started life in 1924, and by last year was achieving gross advertising revenues of $44.6m. Its pre-tax profit stood at $7.96m, while after-tax profits clocked in at $4.39m.

Lowe said yesterday that the sale agreement also includes revised arrangement for charging of management service fees by IPG and for the sale of a loss-making regional office in San Francisco before the deal is completed.

If these measures had been in place last year, it puts the pro forma after-tax profit figure for 1988 at $4.82m.

However, it warns that revenues in the current year will show a drop on the 1988 level due to the loss of a large client account – Stroh's beer.

Under the deal, Lowe is issuing 4.33m new restricted voting shares to IPG.

Each RVO can be converted into one ordinary share, provided IPG does not take its voting stake above 29.9 per cent as a result.

On the basis of a Lowe Howard-Spink price up 3p to 428p yesterday, the initial consideration for the additional 70 per cent interest is £18.5m, and the maximum payable, £22.7m.

JS Pathology declines to £3.6m at year-end

JS PATHOLOGY, the independent clinical laboratory which graduated to the main market from the USM in December 1987, reported pre-tax profits down to £3.6m in the year to end-March, although this was an improvement on the company's estimate made at the interim stage.

The result was struck from turnover up to £10.49m and compared with pre-tax profits of £4m from turnover of £10m last time.

The company said that profitability for the year had been affected by the increased costs of new premises in London's Harley Street, increased competition both nationally and internationally and the expense of designing a new laboratory in Camden Town, north London.

After a reduced tax charge of £1.3m (£1.4m) earnings per 10p share fell to 17.8p (20.1p). The proposed final dividend of 3.7p makes a total for the year of 5.5p (same).

Hillsdown in meat purchase

Hillsdown Holdings, the food, furniture and property group, yesterday announced that it is buying Marshall (Lamberhurst), via its FMC Meat subsidiary.

Marshall owns a major lamb-processing plant in Kent, and exports a significant part of its production.

No purchase price is being disclosed.

Centreway up 16%

Centreway Trust, business expansion scheme manager, boat builder and shoe maker, reported profits of £1.07m for the year to December compared with £916,000 last time.

Turnover fell to £19.58m (£20.47m) and gross profits from £5.16m to £4.75m but this was offset by lower costs.

Tax took £110,000 (£162,000) so that earnings per 10p share almost doubled from 3.4p to 6.7p. The dividend is 1.5p (0.5p).

Pay boost for M and S chairman

By John Thornhill

LORD RAYNER, chairman of Marks and Spencer, received a 21 per cent pay increase last year, according to the company's annual report published yesterday. His salary rose from £349,619 to £424,401.

M and S's rival retailer, J Sainsbury, was less generous in its salary review giving Lord Sainsbury, chairman, a 13 per cent rise from £140,000 to £158,000.

Yet perhaps Lord Sainsbury can console himself in the knowledge that his stake of 47.5m shares in the company was yesterday worth about £123.5m while his brother David's holding of 337.4m shares was valued at over £877m. Their net dividend income was £2.61m and £18.56m respectively.

In Sainsbury's annual report, it was disclosed that the pay of the next highest paid director actually fell from £218,000 to £180,000.

But it is not clear whether this reflects the cut in salary of the previous highest paid director or a change in the director who receives the highest pay.

Sainsbury refused to comment on matters concerning individual directors' pay.

Total emoluments, including pension scheme contributions, for Marks and Spencer's 16 directors rose to £2.8m. In the previous year, 18 directors received £2.5m.

This compares with the company's 5.4 per cent gain in pre-tax profits from £501.7m to £529m, and a 10 per cent increase in dividend payment for the year to the end-March.

Sainsbury recorded a 21 per cent increase in pre-tax profits to £401.8m (£332.3m) in the year to March 18. Its total dividend increased to 5.05p (4.2p).

By recent standards the pay increases were not astronomical. Earlier this month, Coloroll, the home products group, revealed it had more than trebled the salary of Mr John Ashcroft, chairman and chief executive, from £162,000 to £517,000.

Lord King, chairman of British Airways, doubled his salary to £385,791 last year. And Mr Martin Sorrell, chairman of the WPP marketing group, saw his pay rise to £505,000 (£264,000).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Brunner, Chrysalis, Grainger Tst. Hastie, Strata Invs.
Finals- Craig & Rose,† Hoskyns Brewery, United Guarantee.

FUTURE DATES

Interims-	
Chieftain	Aug. 11
New Zealand Inv Tst	June 23
Norfolk House	July 10
Finals-	
Anglo United	June 27
Brown & Tawse	July 3
Chemoxy Intl	June 28
Cranswick Mill	June 26
England (J)	June 20
Porter Chadburn	July 13
Scantronic	June 21
Stocklake	June 28
TR Technology	June 19
United Guarantee	June 16
Waterglade	June 28

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bradstock Gp ....int	2	-	1.5	-	6.75
Cambridge Inst ......fin	0.61	-	0.55	0.85	0.77
Carroll (PJ) ....int	4.1♣	July 14	2.8	-	8.2
Centreway Trust .....fin	1.5	-	0.5	1.5	0.5
Colorvision § ....int	1.95	Aug 18	1.73*	-	4.33*
Dundee & Lon Inv ....int	3.4	-	2.9	-	8.8
Electra Inv Tr ....int	2.7	July 29	2.4	-	4.8
Gartmore Amer ....fin	2.5‡‡	Aug 7	1	3.3	1.8
Investment Co. ....fin	0.65	-	0.425*	0.9	0.65*
Johnson Matthey .....fin	5.5	-	4.5	8	7
JS Pathology ....fin	3.7	-	3.7	5.5	5.5
London Intl ....fin	4.9	Oct 2	4.25	7.25	6.3
Ldn Scot Bank ....int	0.75	-	0.65	-	2.05
Scapa Group ....fin	6.23	Aug 25	5.42	8.77	7.68
Staveley Inds ....fin	4.9	Aug 8	4	6.8	5.7
Tams (John) § ....fin	2.4	-	-	3.6	-
VSEL Consortium ....fin	8	-	7	11	10

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡‡Includes special dividend of 1.3p. ♣Irish pence throughout.

UK COMPANY NEWS

The wisdom behind selling your core business

John Ridding analyses the reasons for and the motives behind beleaguered MBS' plan for survival

SHAREHOLDERS meet today to decide the fate of MBS, once the UK's largest personal computer distributor, but now stricken, having plunged £14.1m into the red last year.

On the face of it, the decision seems straightforward. The board is proposing the disposal of the core product sales division, responsible for the bulk of last year's spectacular losses, for a premium of £9m over assets.

The funds received will wipe out the group's £6m revolving debt and provide surplus cash for the expansion of the remaining computer services business.

The receipts will also allow the proposed buy-back of shares at a premium to their current depressed standing.

This all seems very neat, particularly in such a critical situation, but the strategy raises a number of possible objections.

The first concerns the fact that the proposed disposal is through a management buy-out. If the existing management believes that the business can be turned around, shareholders may well be wondering why the division should be sold off.

This point is amplified by the fact that the product sales businesses, in MBS' own words, "represent a very substantial proportion of the group's turnover and, prior to 1988, contributed a significant proportion of the group's profits".

Without this source, shareholders may wonder how MBS will again be able to generate earnings sufficient to return the share price to a respectable level.

A confident prediction of whether the loss-making division can be turned around flies in the face of experience.

The personal computer sector has experienced dramatic swings and MBS, in particular, has a history of bouncing from crisis to recovery to crisis.

Its current plight is largely the result of IBM's decision at the end of 1987 to extend its UK distributor network from two outlets to eight. A price war ensued, with margins falling from around 11 per cent to around 3 per cent and MBS suffered particularly badly because about 60 per cent of its earnings were derived from IBM products.

As a result, 1988 saw MBS fall from pre-tax profits of £5.2m to losses of £14.1m with extraordinary charges of an additional £7m. Company debts soared to around £13m. The share price, over 70p in September 1988, stood yesterday at only 32p.

Not surprisingly, Mr Derek Lewis, managing director of product sales and manager of Realnew, the vehicle for the proposed buy-out, and Schroder Ventures, its financial backer, believe that recovery is possible.

Mr Lewis has already turned one computer company, Comdisco, from loss to profit and it is claimed that Realnew too will be seeing monthly contributions by the end of the current year.

Analysts offer a degree of support for this view, arguing that with tighter management, the removal of central overheads (which last year amounted to a staggering £6.18m), and a greater range of products, there is potential for improvement.

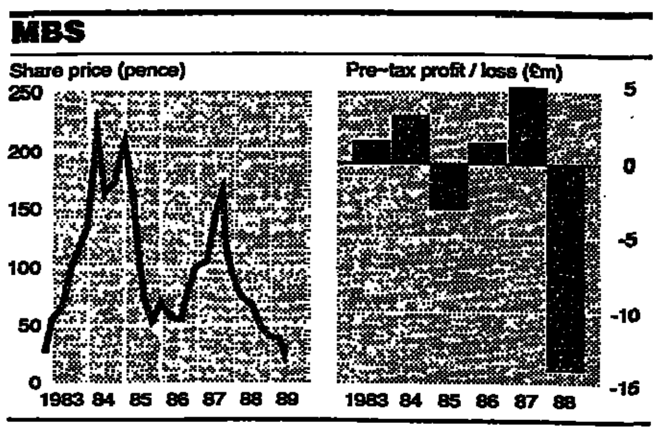
However, given the current state of the business they argue that little more than break-even can be hoped for in the medium term. Much of the incentive for the buy-out, it is claimed, is that as a private company, Realnew will be more suited to dealing with its problems.

Similarly, for Mr Owen Williams, MBS' current chairman, the issue is not so much whether product sales can be turned round (and he believes that there is little chance of a marked improvement in the near term), but more the risks involved in the business.

"I am very confident that turbulence and volatility will continue in this market. Consequently it is not possible to promise, and deliver to our investors, a steady progression of profit growth," he says.

The second strand in MBS' argument is that the services businesses, which will remain after the disposal, represent a promising alternative. According to Mr Williams, "we can now focus on what has been in the past one of the less glamorous parts of our business but which has been highly successful and profitable."

The services businesses have a long list of contracts, many with blue-chip companies and stretching out for three years. The second largest contract, just re-signed, is worth more than £1m over the next three years.



An obvious objection is whether it makes sense to divorce the services businesses from the product sales division, hence removing the possibility of cross-referrals. To a certain extent, this is addressed by a three-year trading agreement between Realnew and MBS, but how well this agreement works in practice remains to be seen.

More serious is the earnings power of the remaining businesses. According to the company, operating profit on a pro-forma basis amounts to only £707,000 on turnover of £14.69m. In addition, analysts believe that the current services operations may be too narrowly based.

The rosiest scenario, involves a bid for the services business, which with cash holdings of about £14m following the disposal and the sale of Microtext, another subsidiary, would obviously have its attractions. Assuming a buy-back of about 20m shares, as suggested by the company, earnings per share could be in the region of up to 3p. A bid on an exit multiple of more than 15 could conceivably start moving the share price up to attractive levels.

In such a situation, Mr Williams is clear where he stands. "In the shareholders' interests I would be obliged to consider any bid offering tomorrow's share price today."

It also seems that a fair degree of interest has been forthcoming.

Speculation has centred on Granada Computer Services, and other computer businesses, but there has also been interest from companies outside the sector attracted by a cash-rich vehicle. However, the fact that no deal has yet been arranged suggests the asking price has been too high.

Doubtless many shareholders are hoping for just such an outcome, but others remain unconvinced of the merits of the buy-out. Gartmore Securities, for example, one of the key institutional investors, is believed to favour the selective disposal of certain businesses but the maintenance of most of the product sales division.

Such sentiment has prompted speculation of a shareholder revolt. But this has failed to materialise, partly because of a lack of alternatives but mainly because of one critical factor – the banks.

MBS is currently in breach of agreements concerning a syndicated loan which was extended 18 months ago. The banks have said that unless the disposal is completed by July 17, then they may demand repayment. With such a shotgun against their heads, most shareholders have probably concluded that, beggars can't be choosers.

Strong second half helps LIG profit recover to £33.7m

By David Waller

LONDON INTERNATIONAL Group yesterday demonstrated that it has recovered from its first half problems when it announced pre-tax profits up by 7 per cent to £33.7m in the year to the end of March.

The consumer services group, best known for its Durex brand of condoms, had reported a shortfall at the interim stage after it experienced production difficulties in the US and a general fall-off in demand for the prophylactic.

Yesterday's figures showed that the company made £19.5m in the second half against £14.26m in the first and £16.5m in the second half of 1987-88. Mr Alan Woltz, chairman and chief executive, said he was pleased to see LIG back on a growth track.

The problems in the US – which arose because of the poor quality of latex supplies – took their toll, confining the growth in the contribution from health and household products. The profit was £27.3m, a modest £1.8m improvement on the £25.5m made in 1988.

In the US there was a turnround from a £5.9m profit the year before to a £100,000 loss. According to Mr Woltz, most of the reversal took place in the first half and manufacturing yields were now returning to normal. Market share, which fell from 31 to 24 per cent by volume, was beginning to climb back to previous levels.

Mr Woltz said he was cheered by the performance of the Biogel rubber glove business, and by the first full year's contribution from Hatulco, the Italian condom company bought in September last year.

More generally, demand for condoms was picking up after a period of destocking by retailers who had overestimated the boom in the market.

Photoprocessing services increased profits from £10.4m to £12.7m on turnover up from £80.6m to £94.6m; discontinued activities (the electricals businesses sold for £23m to RTZ this January) chipped in a profit of £700,000.

Borrowings fell from £96.7m to £77.1m over the year, giving gearing of 94 per cent. Of the borrowings, £50m is represented by a convertible bond, the cost of which is limited to 8.53 per cent.

Turnover on continuing operations for the year rose by 22 per cent to £297.4m. Earnings per share advanced from 17.5p to 17.88p; the final dividend is 4.9p making 7.25p (6.25p) for the full year.

Net costs and provisions relating to restructuring of manufacturing facilities across the group cost £6.3m, after tax £3.6m, and are included in an extraordinary profit of £100,000.

● COMMENT

Yesterday's results from LIG were no more than in line with expectations. Yet that was enough to send the shares up 3p to 225p, reflecting investors relief that the company's problems in the US and in the condom market were not more severe than they originally seemed. The strong second half is encouraging for the future; after the odd strategic false start (Royal Worcester), the company is now well positioned in solid, long term growth markets such as photoprocessing, surgical gloves, health and beauty aids and condoms. This should mean a recovery to pre-tax profits of £42m in the current year, putting the shares on a prospective multiple of just over 10. Given that earnings should bound ahead at 15 per cent a year thereafter, the shares look cheap on that sort of rating.

Cairn sale of Lignum oil assets

CAIRN ENERGY, the independent oil and gas producer, is to sell some of its US oil assets for $17.2m (£11.3m) cash. The assets were acquired recently through the $60m takeover of Lignum Oil from Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times.

The sale, which is line with the company's strategy of concentrating its activities on US gas exploration and production, comprises three separate transactions.

Royalty interests on 90 onshore wells have been sold for $2.3m, plus the working interests of 25 wells for $2.4m. In addition to this an agreement has been reached, subject to shareholders' approval, for the $12.5m sale of the working interests in a further 110 wells.

The sale will generate a surplus of $1.5m over the acquisition cost which will be used to reduce the debt raised in the Lignum acquisition.

Cairn, which obtained a listing at the end of last year, also announced that it had successfully drilled three more appraisal wells on the Galveston Island Blocks 343 and 363 in the Gulf of Mexico. Interests in the blocks were acquired as part of the Lignum deal.

Acquisition and organic growth lift Staveley 20%

PRE-TAX profits of Staveley Industries, the measurement, mechanical and electrical services and manufacturing group, rose 20 per cent, from £18.1m for 53 weeks, to £21.8m for the 52 weeks to April 1, against an 18 per cent increase from £205.5m to £243.1m in sales.

The measurement, mechanical and electrical services and minerals divisions all showed good increases in trading profits of 31.4 per cent, 32.3 per cent and 13.4 per cent respectively; the exception was manufacturing which showed a decline of 10.5 per cent because of pressure on export margins.

Measurement's results benefited from the acquisition of Qualcorp in April 1988 and those from mechanical and electrical services, a record trading profit of £4.5m, reflected the buoyancy of the UK construction industry. Minerals, despite the mild winter, had a good year on margin and efficiency improvements.

Overall, the group's margins edged up from 9.4 to 10 per cent.

Higher net interest charges, up from £1.3m to £2.6m, and net borrowings at £21.9m (£8.2m) reflected the acquisition of Qualcorp, while a tax charge of only 25 per cent (24 per cent)– £5.5m (£4.3m) – stemmed primarily from the low US tax charge and changing mix of US profits.

Capital employed within the group has increased from £71.1m to £85.6m while the increase in borrowings has meant that gearing has gone up from 14.5 to 38.6 per cent.

Earnings per 25p share are up by one quarter over 1987-88 from 16.1p to 20.2p while the total dividend is lifted from 5.7p to 6.8p with a final of 4.9p (4p).

● COMMENT

Staveley's strategy over recent years resembles that of Coalite, currently facing a bid from the very Mr David McErlain whose Anglo United group was earlier this year rumoured to hold a stake in Staveley. The plan was to use the cash generated by the mature business – in this case, salt-mining – to invest in supposedly hi-growth, hi-tech industries, in this case weighing machines and non-destructive testing. The irony is that the ex-growth business – in essence, British Salt – has suddenly become dynamic, while the growth businesses have encountered problems. Thus, the minerals division increased its contribution by a solid 13 per cent (to £9.3m) while the £2.2m increase in measurement's profits (to £9.2m) is thought to be due solely to the February 1988 acquisition of Qualcorp. Yesterday's figures – in line with expectations at the pre-tax level although earnings were boosted by a lower than expected tax charge – prompted a 7p rise in the share price to 196p. At this level, the shares are on a prospective multiple of about 9 if the company achieves £42m this year. At this level, the shares should be held in the hope that either the diversification strategy works, or the company ends up facing a Colalite-style break-up bid.

Approval for RTZ deal

By Kenneth Gooding, Mining Correspondent

SHAREHOLDERS in the RTZ Corporation yesterday gave approval to the mining and industrial group's $4.3bn purchase of BP Minerals. Consequently, provisional allotment letters in respect of the rights issue to raise about £436 towards the acquisition were posted.

Sir Alistair Frame, the chairman, said RTZ expects to complete and pay for most of BP Minerals assets on June 30. However, Western Mining of Australia has three months to make up its mind whether to exercise its pre-emptive rights to BP Minerals' 49 per cent stake in the Olympic Dam mine in Southern Australia.

Downturn at slimline Carroll

REDUCED PRE-tax profits of I£3.96m (£3.44m) were announced by PJ Carroll and Company, the Dublin-based tobacco, aquaculture and direct marketing group, for the six months to March 31. Last time its print and packaging business, since divested, contributed £602,000.

Total group sales rose from £110.36m to £111.15m with the bulk – £97.51m (£103.19m) – coming from tobacco which made profits of £5.44m (£6.12m). Losses of £742,000 (£292,000) were incurred in aquaculture and £712,000 (£2.21m) in direct marketing.

As already indicated, a first interim dividend of 4.1p will be paid in July. A second interim of the same amount is forecast for January 1990 – the current accounting period is for the 18 months to March 31 1990. For the previous year dividends totalled 8.2p. Earnings for the first six months fell to 4.9p (5.7p).

The directors said that for the 12 months to end-September tobacco profits were likely to be between £500,000 and £1m down on the record £12.82m achieved in 1987-1988.

Sea Containers bid hangs on US decision

By Andrew Hill

The US courts have yet to rule on whether Stena, a privately-owned Swedish ferry group, and Tiphook, the UK container rental company, can go ahead with their hostile bid for Sea Containers.

Tiphook and Stena's advisers had expected a definitive ruling late on Wednesday night, but Judge John Garrett Penn of the Washington DC district court is still making up his mind about the $824m (£548m) offer.

Until he makes a decision, a temporary restraining order prevents Tiphook and Stena from pursuing their offer for the Bermuda-registered owner of Sealink British Ferries.

COMPANY NEWS IN BRIEF

AMERICAN DISTRIBUTORS has bought White Plains Tobacco and Candy, of New York state, for $750,000. Turnover of some $14m should give profits around $375,000 annually. In current year AD group profits should be some 12 per cent up on 1988.

ANTLER: Offer by Wassall accepted in respect of 5.77m ordinary (95.5 per cent). Offer declared unconditional and remains open until further notice. Cash alternative now closed.

ASSOCIATED BRITISH CONSULTANTS has agreed to acquire James-Carrington and Partners for £725,000 to be satisfied by the issue of 417,147 ABC ordinary. A further cash consideration of not more £80,000 is payable to the extent that work in progress has a value in excess of £285,000.

BIBBY (J) & Sons has reached agreement for the acquisition of the Azlon division of Astell Scientific (Holdings) for about £2.5m cash. Azlon manufactures and distributes a range of re-usable plastic laboratory ware.

CANNON STREET Investments is planning the development of a 72-bedroom hotel with leisure club and conference facilities at Phillipshill, east Kilbride. The investment in the project is expected to be in the region of £6m.

COOKSON GROUP has acquired McDanel Refractory, a producer of advanced ceramics, which is based at Beaver Falls, Pennsylvania.

F&C SMALLER Companies is paying a final dividend of 0.9p to make 1.3p (1.14p) for the year ended April 30 1989. Earnings 1.42p (1.28p). Net asset value 93.4p (81.5p).

HEAVITREE BREWERY: Pre-tax profits £528,000 (£427,000) on turnover of £2.51m (£2.44m) for six months to April 30. Earnings 19.5p (15.7p) and interim dividend 3p (2.4p).

HUGHES (HT) is acquiring a waste transfer station and waste collection service at Aldershot for £725,964, satisfied by the issue of 414,837 shares which have been conditionally placed with institutions.

MACFARLANE GROUP (Clansman) has acquired Adhesive Labels of Slough for £335,000, satisfied by £90,301 cash and 107,797 shares.

MARLER ESTATES: Offer by Conrad Holdings (name now changed to Cabra Estates) has been accepted by holders of 88.4 per cent of the ordinary capital and has been declared wholly unconditional. Ordinary offer remains open but cash alternative has closed. Preference offer accepted in resect of 26.4 per cent.

MILLWARD BROWN: WPP is to compulsorily acquire outstanding equity in Millward Brown. As at June 1, WPP held 6.54m shares in Millward Brown, representing 92.98 per cent.

MORAY FIRTH Exploration is in negotiations which could lead to an all share offer being made for another exploration company. As a consequence its shares have been temporarily suspended pending publication of a circular. Negotiations are expected to be finalised by early July.

P AND P has acquired Maxima Communications for an initial £0.5m and a deferred amount up to £0.75m may be payable dependent on Maxima's future profits. Maxima is a UK company in the Apple Mackintosh networking and communications distribution market.

PENNY & GILES International has, through two wholly-owned subsidiaries, agreed terms with Thorn EMI Technology for the purchase of stock, fixed assets business contracts and employee obligations relating to the data recording businesses of Thorn EMI Data Technology in the UK and Thorn EMI Technology in the US. Total cash consideration is £1.24m.

PRIEST MARIANS is to pay £12m for the freehold interest of four properties in north-west London, collectively known as the "Oval Road Property". The vendor, Minty, is to receive a deposit of £600,000 with the balance of £11.4m payable on completion. In a separate announcement, Minty revealed that it had agreed terms for a recommended merger with Norton Group, and the proposed acquisition is conditional upon the Minty offer becoming unconditional. Priest Marians has also acquired from Minty, for £1, an option to acquire Architectural Trading Co. for £1.25m cash.

PTARMIGAN HOLDINGS has disposed of Provincial Butchers Supplies to its management and various employees for £560,000 cash. Provincial will meet certain other obligations.

SAVOY HOTEL has bought a controlling interest in St Quentin, the Knightsbridge restaurant, grill and patisserie.

UCL GROUP has conditionally agreed to sell its business of selling and supplying microcomputer hardware and software to PF for a cash consideration of £324,119.

VIDEO TAPE Recording has agreed to acquire AV Department for an initial £800,000 to be satisfied via the issue of 521,740 ordinary shares. A further payment of up to a maximum £162,500 in shares is dependent on profits. AV, which specialises in audio visual facilities and production for the non-broadcast TV sector, returned pre-tax profits of £50,660 for the year to end-September and had net assets of £68,029. Unaudited figures for the first eight months of the current year showed pre-tax profits of £119,000.

WYEVALE GARDEN Centres has acquired Peacock Farm Nurseries, of Merton, south west London, for some £275,000 in cash.

SHARE STAKES

The following changes in company share stakes have been announced:

BICC: Offer to shareholders taken up in respect of 17.11m new ordinary (77.6 per cent). The balance will be taken up by institutional and other investors. The closing date of the tender offer to acquire the outstanding common stock of Brintec is June 15, but may be extended.

Business Technology: P James and D Ellingham, directors, have both sold 100,000 shares at 285p per share, bringing their holdings to 2.52 per cent each. D O'Connell and M Tye, also directors, with T Ebsworth, have all sold 100,000 shares at 230p, bringing their holdings to 7.79 per cent each.

Dagenham Motors: David Philip, chairman and chief executive, has sold 500,000 ordinary at 121p per share. He remains a holder of 1.15m ordinary (6.9 per cent). Charterhouse Development Capital and Gresham Trust now hold 1.99m ordinary each (12 per cent).

Electrocomponents: Clerical Medical and General Life Assurance holds 10.15m (4.97 per cent); Standard Life Assurance holds 11.53m (5.64 per cent) and Scottish Widows Investment Management 12.5m (6.12 per cent).

Greenall Whitley: Greenall Holdings has acquired 2.69m 'A' ordinary, (7.48 per cent), bringing its total holding of this class to 7.62m (21.15 per cent).

ISA International: J A Heap and P P J Vikanis, directors, have sold 700,000 and 400,000 ordinary (2.4 per cent and 1.4 per cent) at 130p per share, bringing their holdings to 3.05m and 2.54m (10.4 per cent and 8.7 per cent) respectively.

River and Mercantile American: Water Authorities Superannuation Fund has sold 500,000 capital shares, reducing its holding to 24.5m (65.3 per cent).

MBS: Eramon Securities has acquired 2.08m ordinary (2.06 per cent) in respect of the Trustees of The Oceanside No 2 Settlement. The total holding is now 7.62m (7.56 per cent).

Rotork: Control Techniques owns 700,000 ordinary and Control Techniques' Retirements and Benefits Scheme owns a further 57,000 ordinary, giving an aggregate holding of 757,000 ordinary (2.7 per cent).

Servomex: Throgmorton Street Nominees, on behalf of Throgmorton Trust, has purchased 490,814 ordinary (5.05 per cent).

Whitegate Leisure: J N Oppenheim, chairman, has bought 1.25m ordinary at 33.5p, 100,000 at 34p, 75,000 at 35p and 100,000 at 36p, lifting his holding to 9.25m ordinary.

Yeoman Investment Trust: London and Manchester Group now holds 2.54m capital shares (10.29 per cent).

PUBLIC WORKS LOAN BOARD RATES

Effective June 13

Years	Quota loans repaid by EPP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			13 3/8			14 1/8
Over 1 up to 2	13 1/8	13	12 3/8	14 1/8	14	13 1/8
Over 2 up to 3	12 5/8	12 1/2	11 7/8	13 5/8	13 1/2	12 5/8
Over 3 up to 4	12 1/4	12 1/8	11 5/8	13 1/4	13 1/8	12 3/8
Over 4 up to 5	12	11 7/8	11 1/2	13	12 7/8	12 1/4
Over 5 up to 6	11 3/4	11 3/4	11 3/8	12 1/4	12 1/4	11 7/8
Over 6 up to 7	11 5/8	11 5/8	11 3/8	12 1/8	12 1/8	11 7/8
Over 7 up to 8	11 5/8	11 1/2	11 1/4	12 1/8	12	11 3/4
Over 8 up to 9	11 1/2	11 3/8	11 1/8	12	11 7/8	11 5/8
Over 9 up to 10	11 1/2	11 3/8	11	12	11 7/8	11 1/2
Over 10 up to 15	11 3/8	11	10 1/2	11 7/8	11 1/2	11
Over 15 up to 25	10 5/8	10 3/8	10 1/8	11 1/8	10 7/8	10 5/8
Over 25	10 1/4	10 1/8	10	10 3/4	10 5/8	10 1/2

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

'Satisfactory result' considering last summer's 12-week strike

VSEL marginally down at £17.1m

By John Thornhill

VSEL CONSORTIUM, the defence contractor which builds Britain's Trident-carrying submarines, reported only a fractional decrease in pre-tax profits from £17.63m to £17.08m in the year to March 31, despite a 12-week strike last summer at Barrow-in-Furness.

Lord Chalfont, chairman, said he considered this a very satisfactory result considering the problems the consortium had experienced in the period.

He said the company had recovered well from its industrial dispute and he was impressed by how quickly people had got back to work. "There is a really positive and co-operative attitude now," he said.

Turnover rose to £465.88m (£429.59m), but this increase was partly due to the materials bought and sub-contracted work done during the strike period.

The directors are recommending a final dividend of 8p, which will increase the yearly payment to 11p (10p).

However net earnings per share fell to 44.1p (46.3p).

During the year, VSEL delivered Campbeltown, a type 22 frigate, and Trenchant, a Trafalgar class submarine. VSEL is still competing for the contract for the type 23 frigate, which should be decided later this year.

VSEL also has great hopes for winning a Ministry of Defence howitzer contract with its AS90 self-propelled gun.

"It is a beautiful piece of artillery," enthused Lord Chalfont, "and, if we succeed in winning the contract, our export prospects would be rosy."

The company already has orders on its books worth £2.7bn (£2bn), about 70 per cent of which is represented by the submarine programme.

Pre-tax profits by division were: submarines and surface warships £15.69m (£18.07m); fleet support £1.61m (£2.66m); armaments £5.92m (£2.8m); and engineering products £650,000 (£598,000).

Dr Rodney Leach, the former chief executive who had guided the company through its privatisation, retired in December because of ill health. His successor has not yet been appointed.

● COMMENT

VSEL staged a good second-half recovery after being £2.31m adrift of the previous year's figures at the interim stage. Now that the cause of the dispute (holidays) has been sorted out, VSEL can happily return to what it does best – building weapons systems of mass destruction. Despite Lord Chalfont's claim that Mr Gorbachev has created the climate in which arms reductions are the order of the day, VSEL still has plenty of future work, as is evidenced by the company's staggering order book. And even more lush contracts may be in prospect, if the fickle Canadian government decides to opt for a conventional submarine programme and if contracts follow discussions with the Ministry of Defence, and the Malaysian and Saudi Arabian governments. Pre-tax profits for the year may rise to £22m which would put VSEL on a prospective multiple of about 8 – hardly expensive in view of the income flow. The company believes that because of the strength of its order book, it is the envy of its sector and VSEL may be proved right. Takeover speculation has been persistent and, despite complications, a bidder might yet surface.

Ford Sellar in £84m offer for Brookmount

By Philip Coggan

FORD SELLAR Morris Properties has launched an agreed cash offer for fellow property group Brookmount valuing the latter group at £84m.

The offer, which is being funded by a loan from Bankers Trust, represents a major expansion for Ford Sellar Morris, which is capitalised at just £46m. Following the purchase the combined group will have a gearing ratio of around 200 per cent.

However, Ford Sellar Morris intends to make a series of disposals following the acquisition which will bring down the gearing level to around 80 per cent. It will definitely be selling Brookmount's 10 per cent stake in Trafalgar Brookmount, the company which is developing a 340-acre site at Weybridge in Surrey. The price has been agreed with the purchaser, Trafalgar House, at £4.15m.

Brookmount joined the USM in January 1986 with a market capitalisation of £7.6m. Its early property interests were primarily in Northern Ireland but the group expanded on to the mainland, notably through a planned development of a new national sports stadium in Bedfordshire.

Yesterday Brookmount revealed its preliminary results for the year to March 31 which showed pre-tax profits more than doubled at £11.49m (£5.24m) and fully diluted earnings per share up 56 per cent at 36.3p (23.3p). The company amortises goodwill through the profit and loss account over a period of 13.5 years.

The offer is 600p per ordinary share and 328p per convertible share. Shareholders owning 50.3 per cent of Brookmount's equity have irrevocably agreed to accept the offer. Brookmount made a two-for-five rights issue at 650p before the 1987 crash.

Mr Irvine Sellar, chief executive of Ford Sellar Morris, said that Brookmount would add to the group's geographical coverage – FSM is based mainly in the South East, Brookmount is based in the Midlands, Scotland and Northern Ireland.

Ford Sellar Morris was formed when Sellar Morris Developments reversed into the retail group Martin Ford in 1987. The retail division has since been sold.

Yesterday, Brookmount's shares rose 50p to 585p while Ford Sellar Morris's rose 1p to 108p. Brookmount is being advised by N M Rothschild and FSM by Bankers Trust and Barclays de Zoete Wedd.

Cambridge Instrument meets City forecasts with 68% rise

By John Ridding

CAMBRIDGE INSTRUMENT, the scientific and optical equipment group, yesterday announced pre-tax profits of £5.86m for the year to March 31, an increase of 68 per cent and in line with City forecasts.

Mr Terry Gooding, chairman, said the results "indicated a significant recovery from the problems of 1987-88" when weakness in the semiconductor markets prompted a 50 per cent fall in profits to £3.5m.

Sales increased 13 per cent to £127.92m and earnings per share rose from 3.11p to 5.49p. A final dividend of 0.61p (0.55p) gives a 0.85p (0.77p) total.

Much of the improvement resulted from the first full year contributions from Bausch and Lomb's optical businesses and LKB's specimen preparation businesses which were both acquired at the end of 1987.

The company did not break down the contributions from the acquisitions. However, the optical instruments division increased profits from £2.6m to £5.02m and the scientific instruments division rose from £573,000 to £1.95m.

Mr Gooding said the restructuring of the new businesses and their integration into existing operations was proceeding well. He said that on completion, the integration of its US operations could result in profit improvements in the region of $5m (£3.33m).

Losses at the group's Cambridge operations, which suffered most from the semiconductor downturn, continued to exceed £1m. However, a new product range was due to be launched and with reduced manufacturing and administration costs the business should return to profit next year.

The industrial products businesses, which were marginally profitable but described as "not strategically important," were sold in March for £5.5m.

Another boost to the balance sheet was provided by a property revaluation which added around £6m to assets.

Mr Gooding said the company was suffering from "an intensifying skills shortage."

● COMMENT

Cambridge Instrument seems to be back on course following the disappointments of 1987-88. But it will be a while yet before the company reaps the full benefit of its recovery strategy. With the original Cambridge plant set to stay in the red until 1990-91 and with the integration of its US optical production only one-third of the way through, the current year is unlikely to excite. Nonetheless, operating margins are improving, up from 3 per cent to 5 per cent, and orders are reasonably buoyant. Combined with a lower interest charge following its industrial products disposal, these factors should ensure pre-tax profits of £6.8m. The implied prospective multiple of just over 10 represents fair value, and the recent run up in the share price is unlikely to go too much further. The joker in the pack remains the prospect of an acquisition and Mr Gooding's reference to "our strong balance sheet" suggests something may be in the offing.

Gowrings to join main market with £14.5m tag

By Clare Pearson

GOWRINGS, a motor, leisure and investment concern, is joining the main market via a £4.4m placing – all of which raises new money.

The placing is of 2.75m shares at 160p each to give a market value for the company of £14.48m. The historic p/e is 12.8 and the net asset value per share at the last balance sheet date 228p.

Gowrings' motor division, the historic core of the company, comprises two Ford main dealerships, an additional four petrol forecourts and a company supplying converted vehicles for wheelchair passengers.

Its leisure division owns and operates a golf course near Newbury, in Berkshire, five residential parks, three Burger King restaurants and has a 50 per cent interest in a media training company. Investments include significant shareholdings in Newbury Racecourse and Consolidated Radio Holdings.

Pre-tax profits have risen to £1.09m in 1988 from £212,000 in 1984. There is no profits forecast, but the directors say the current year's trading is going well and Gowrings is upgrading and developing its existing premises.

Treatt to join USM with valuation over £10m

By Vanessa Houlder

TREATT, a supplier of essential oils and aromatic chemicals, is being brought to the Unlisted Securities Market by Hambros Bank, in a placing that values it at £10.07m.

The company started trading as an essential oil merchant in the City of London in 1886. It supplies, merchants, blends and distils oils for fragrance, food, soft drinks, pharmaceuticals, soap and detergent businesses.

Its oils, which are sourced from 55 countries range from citrus oils, such as grapefruit, lemon and lime, to spice oils such as ginger, clove and cinnamon.

The company said it would be able to take advantage of international trends by supplying natural ingredients to the flavour and fragrance industry.

Treatt made a pre-tax profit of £1.1m (£619,000) for the year to September 30 1988. It forecasts a pre-tax profit of at least £1.35m for the current financial year. On that basis the company has a prospective price/earnings multiple of 11.1 times.

Some 2.29m shares are being placed at 107p by Laurence Prust, broker. Dealings are expected to start on June 22.

Allen coming to USM via placing

By Vanessa Houlder

ALLEN, a north west-based housebuilding group, is coming to the Unlisted Securities Market in a placing that will value it at £24.6m.

Barclays de Zoete Wedd announced that 4.2m shares would be placed at 110p per share, representing 18.8 per cent of the group's share capital. 75 per cent of the shares are being placed through BWD Rensburg and 25 per cent through Henry Cooke, Lumsden.

Allen is involved in contracting in the private and public sectors, housebuilding (predominantly in the low to middle price range), hire services and property development.

Pre-tax profits for the year ended March 31 were £3.99m (£1.82m) on turnover of £43.41m (£32.83m). At the placing price, the shares have a price earnings multiple of 8.5.

Bradstock falls back to £3m

Weak market conditions hit Bradstock Group in the half year ended March 31 1989 and pre-tax profits fell from £3.81m to £3m.

Despite the difficult circumstances the directors are confident in the future and are lifting the interim dividend from 1.5p to 2p.

Turnover in the period was static at £7.72m but administration expenses rose £1m to £5.89m. Earnings fell to 7.2p (9.9p).

The directors reported that both the direct insurance and reinsurance sides of the business suffered. Although the group raised market share, low and reducing rates, plus the weak dollar, had their affect.

Premium and rates showed little sign of hardening. The only specialist sector showing any rate increase was energy reinsurance.

John Tams up 10.5% to £2.36m

John Tams Group, USM-quoted maker of ceramic mugs and tableware, lifted turnover and profit 10.5 per cent in the year ended March 31 1989.

Significant growth was looked for in the current year, said Mr Gerald Tams, chairman. The contribution from Duchess China (A.T. Finney, acquired in January) was already apparent and the development of its full potential was a major priority.

Turnover of the group, which came to the USM a year ago, rose from £11.18m to £12.34m, while profit reached £2.36m (£2.14m).

Earnings were 8.25p (7.41p) and the final dividend is 2.4p for a total of 3.6p.

Mr Tams said the current year had started very well. Order situation for home and export was healthy, with demand for coffee mugs at a record.

London Scottish Bank rises to £1.51m

London Scottish Bank reported pre-tax profits up to £1.51m (£1.3m) in the half year to April 25.

Turnover rose 20 per cent to £12.74m (£10.62m).

Earnings were 2.2p (2p) before extraordinary profits of £554,000 this time. The interim dividend is 0.75p (0.65p).

Growth restricted at Colorvision

Investment costs restricted the growth *in pre-tax profit to* 11 per cent at Colorvision in the half year ended March 31 1989.

Also, the government's aim to curb consumer spending began to affect trading in the latter part of the period, and *had continued into the second* half, said Mr Neville Michaelson, the chairman.

This USM-quoted retailer of television and video recorders operates from 58 outlets and by the year-end expects to open *another four.* Its pre-tax profit was £2.13m (£1.92m).

Turnover advanced 53 per cent to £18m (£11.8m), but operating profit was little changed at £1.77m (£1.7m). Costs were incurred for increased investment in new premises. Also, significant expenditure was *made in satellite* broadcasting; initial sales of dishes were good and after a short period of decline, were beginning to pick up again, the chairman stated.

Earnings were up to 6.79p (6.11p) and the interim dividend is 1.95p (1.73p).

Electra Investment doubles profits

Electra Investment Trust, which provides equity finance *for unlisted companies in the* UK, Europe and the US, reported net profits more than doubled at £5.24m, against £2.42m, in the six months to March 31.

The net assets attributable *to shareholders at March 31* were £517m, against £457m at September 30 last year. The fully diluted net asset value at the interim date was 316.35p per share, which compares with 281.53p last September and 326.46p at May 31 this year. The rise in the eight-month *period* between September and May was 15.96 per cent, which compares with one of 13.27 per cent for the FT-A All-Share Index.

In the period, the company's unlisted portfolio moved up to £327.6m (£270.06m), while the listed portfolio was reduced to £194.54m (£221.28m).

Earnings per share more than doubled to 3.485p (1.614p) and an interim dividend of 2.7p (2.4p) has been declared.

Gartmore American progresses

Gartmore American Securities gross revenue rose from £1.2m to £1.8m in the year to March 31. Directors have proposed a final dividend of 1.2p making 2p (1.6p); there is also a special dividend of 1.3p.

Income from dividends totalled £954,257 (£907,400) while interest receivable amounted to £373,036 (£6,703) and interest on deposits to £464,283 (£241,723).

Pre-tax revenue emerged at £1.17m (£570,713) and tax charged was £377,979 (£177,537) leaving earnings of 4.42p (2.19p) per 25p share. Net asset value over the year rose from 171.3p to 183p.

COMMODITIES AND AGRICULTURE

Aluminium producers woo the green vote

Kenneth Gooding on efforts to stress the metal's "environmentally friendly" qualities

THE DAY will come when car junk yards will disappear and Europeans will insist that all their new cars are made from materials which can be recycled or disposed of without harm to the environment. There might even be a "disposal fee" placed on materials which do not meet the criteria, according to Mr Theodor Tschopp.

He welcomes the concept because it must surely encourage the car makers to use even more aluminium – already there is between 40 and 50 kg in the average European car. And Mr Tschopp has a vested interest in this developing trend because he is chairman of the European Aluminium Association.

The association currently is stressing that the metal it makes is environmentally "friendly." In western Europe this should not only be of benefit to the industry in the face of growing consumer awareness of environmental issues but also help save energy costs and cut a growing and costly import burden.

Western Europe's primary aluminium imports reached a record 450,000 tonnes last year and the European Aluminium Association says there is little hope of capacity increases coming along to reduce the load.

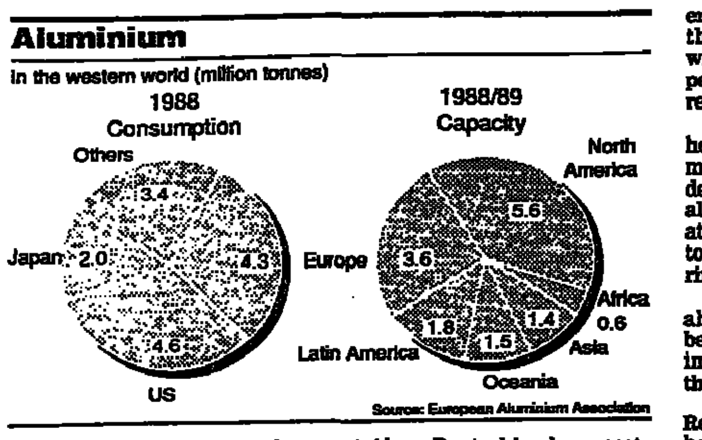
Unless recycling can be stepped up, all the expected future growth in aluminium consumption – about 2 per cent annually over the next five years – will have to be satisfied by imports.

Currently about 35 per cent of total aluminium consumption in Europe is from reclaimed scrap – and the industry claims production from scrap saves about 95 per cent of the energy required to produce new metal.

Last year the amount of recycled material registered was a record 1.6m tonnes. Already as much as 70 per cent of the metal used in electrical engineering, building and transport is re-used, often again and again. So the industry believes that the sector with the greatest potential for recycling growth is the beverage can market.

Aluminium

In the western world (million tonnes)



Source: European Aluminium Association

This is also one of the fastest-growing areas of aluminium consumption, currently accounting for about 11 per cent of aluminium usage in western Europe.

About 6bn of the 16bn beer and soft drinks cans used in the region last year were made from aluminium. The industry has set itself the target of building its share of this particular part of the packaging market to at least 50 per cent by 1991.

It hopes to push the canners in the required direction by emphasising that the aluminium can offers a better prospect for recycling because it has enough scrap value for a collection and reprocessing infrastructure to be put in place. This is not true for steel cans.

The steel can makers point out in their defence that primary aluminium is so expensive that it simply would not make economic sense to use it for beverage cans unless large quantities were recycled.

So far there has been no let up in the intensely bitter struggle between the two materials for the lion's share of the beverage can market even though they are both face a new threat.

A number of European countries – Austria, Denmark, Italy, Switzerland and West Germany among them – are seriously considering putting a ban on all one-way beverage containers.

Mr Alexander Wirtz, general manager can recycling Europe at Alcan Deutschland, suggests that the trend has as much to do with trade protectionism as with environmental issues.

"After 1992 there will not be 150 bottling and filling plants in each country. We will have mega-plants with enormous capacities able to serve several countries," he predicts. Switzerland in particular seems to be attempting to put barriers in the way of this change and protect its bottlers. "But the refillable bottle only makes sense if it is distributed within 100 kms of the bottling plant," Mr Wirtz insists. "The answer is a *recyclable* container."

With this in mind, five companies (three based in the US – Alcan, Alcoa, and Reynold Metals – Pechiney of France and VAW of West Germany) have set up the Aluminium Can Recycling Association with about 25 people permanently employed on promoting recycling.

Mr Wirtz says that, if their efforts are to be worthwhile, the country concerned must use enough aluminium beverage cans to make recycling viable. In West Germany, for example, fewer than 15 per cent of the beverage cans are made of aluminium so it would not be economic to spend recycling campaign money there at the moment.

The UK, on the other hand, is a prime target. Only about 5 per cent of the 4.25bn aluminium beverage cans used are currently recycled. The Recycling Association is to start a new campaign in the UK at the end of this month and hopes that eventually the country will match the US record – 58 per cent of aluminium cans are recycled there.

The campaign will also be helped by British Alcan Aluminium's recently-announced decision to build Europe's first aluminium can recycling plant, at a cost of nearly £20m, close to its existing plant near Warrington, Cheshire.

British Alcan is looking ahead with its investment because initially it will have to import used containers from the US as feedstock.

Elsewhere in Europe, the Recycling Association's efforts have built aluminium can recycling in Greece to 20 per cent in less than four years. In Italy it has encouraged more than 500 municipalities to start campaigns and in these areas the recycling rates vary between 15 per cent and 20 per cent. In Switzerland the rate is a little better at nearly 22 per cent.

The Recycling Association looks at Sweden with mixed feelings. The recycling rate there is 85 per cent – but this was achieved because the Government imposed a mandatory deposit scheme on all containers and the association is not in favour of such schemes.

According to the EAA's Mr Tschopp, the industry's search for metal to recycle will also be helped by the increasing volume of scrap resulting from aluminium industrial goods ending their useful life.

All this is taking place at a time when the European aluminium industry has been chalking up records on all fronts – for consumption, production and, in many cases, in profitability.

Last year primary aluminium production reached 3.5m tonnes and consumption was 4.3m tonnes. Imports filled the gap, about half of them "tied" imports from the overseas facilities of the US-owned companies operating in Europe.

Mr Tschopp insists that, although the global trend is for primary aluminium production to move to areas of low-cost hydro-electric power, western Europe could not follow Japan's example and eliminate most of its capacity. It needs to maintain a reasonable level of production to feed its growing domestic market.

He expects increases in capacity in the region – including Pechiney's planned 200,000 tonnes a year smelter at Dunkirk – to do no more than replace closures.

In comparison with his views about production, Mr Tschopp paints an optimistic picture about future aluminium demand.

He suggests that in the automotive sector, for example, growth in aluminium use will be supported by a continuing trend towards weight reduction. This will produce lighter, more fuel-efficient vehicles.

He also predicts dynamic growth in the use of aluminium in rail cars. The rapid growth of European high-speed train networks plus major projects such as the Channel Tunnel and new tunnels through the Alps will produce a boom in the construction of rolling stock.

Then there are five important areas where the industry must act to help itself, says Mr Tschopp.

First, the industry must speed up technical development, to produce higher-quality products, as well as new materials to meet changing industrial demands.

Next, the industry will need to make the best use of its new-found financial strength, carefully choose where it invests its cash and be prepared for new partnerships to respond to changing market conditions such as the European Single Market.

Third, an adequate supply of primary metal must be secured to guarantee the smooth operation of the sophisticated European transformation and fabricating plants.

Fourth, the industry must develop new markets such as beverage cans in Europe.

"Finally," says Mr Tschopp, "we must do everything to ensure that aluminium recycling works all over Europe and that it is accepted and supported by the consumers."

Soyabean markets in confusion over Soviet buying rumours

By Deborah Hargreaves in Chicago

CHICAGO'S SOYABEAN futures complex was in confusion yesterday as rumours circulated of large purchases by the Soviet Union.

It was the turn of soyabean meal futures to increase on rumours of Russian buying, as traders rushed from the soyabean oil pit where they had pushed prices to their daily limit on Wednesday. Oil futures took a pounding as a rumoured 200,000-tonne sale to Moscow failed to materialise.

"We've been talking about potential sales to the Soviets for two months now, but who knows when it will happen," said Mr Dan Markey, president of Agri-Analysis in Chicago.

Mr David Asbridge, economist at the American Soybean Association, believes processors have been getting over-excited about sales of oil to the Soviets. At this time of year, Moscow would typically be buying its beans from South America, but drought in Argentina and chaos over the Cruzado in Brazil have cut the crop's availability.

The Soviet Union was forecast to import some 150,000 tonnes of soyabean oil from all sources this year and the rumoured 200,000 to 288,000-tonne purchase from the US would take its imports close to a peak. "It would be a significant sale and could set a precedent for the Russians buying American oil. . . that's why everyone is getting so excited," said Mr Asbridge.

Meanwhile, Mr Markey believes the market is currently performing well, "it isn't bullish of itself, we just realise we've overdone the downside on some of these crops," he said.

In response to the lack of drought this spring, traders had pushed futures prices as low as if the crop was already safely harvested. "But we still have a lot of anxiety to go," said Mr Markey.

The latest long-range weather forecast for the Midwest shows normal rainfall for this time of year. However, farmers had been hoping for above-average precipitation to replenish sub-soil moisture reserves that will be so crucial in the July growing season.

US studies sugar policy options

By Nancy Dunne in Washington

CONGRESSMAN Jerry Huckaby, chairman of the cotton, rice and sugar subcommittee in the US House of Representatives, said this week that the US will maintain sugar supports "as long as the European Community does."

However, he is considering various options for changing the US sugar import quota programme to make it compatible with international trading rules within next year's Farm Bill. The Council of the General Agreement on Tariffs and Trade is expected next week formally to accept a report finding that the current programme a violation of the Gatt.

There is, within Congress, a widespread resentment that the EC's sugar subsidies, which boosted Community production, are permitted under the Gatt.

Mr Huckaby is considering a scheme combining domestic production controls and a quota system, which is believed to be consistent with the Gatt.

Mr Clayton Yeutter, the US Agriculture Secretary, recommended acceptance of the Gatt report, while telling US sugar producers that the US has "a reasonable amount of time" to make the changes needed.

Under the current scheme, the foreign share of the US sugar market has fallen from 45 per cent to 13 per cent, while the domestic portion has risen from 55 per cent to 87 per cent. The US maintains prices at about 22 cents a lb, far above the world price, making sugar production so lucrative that output has risen 23 per cent while consumption has dropped 17 per cent.

The Bush Administration faces stiff legal constraints in making administrative changes, according to a report issued by the Congressional Research Service last week. By law, the Administration is required to support domestic sugar prices at 18 cents a lb. It keeps them at 22 cents to avoid loan defaults.

The US could convert its quotas to tariffs, but there is a limitation to US refining capacity. Refined sugar would then have to be imported, which would be an advantage for the EC and Brazil.

Other options include the imposition of fees of 50 per cent or more on sugar imports to protect the price support programme; or restricting domestic production through a set-aside scheme or cutting the support prices.

Colombia presses on with coal projects

Sarita Kendall in Cartagena

COLOMBIA, host to this week's Fourth Pacific Rim Coal Conference, will be well placed to take advantage of the growing demand for steam coal in the 1990s, which was being widely predicted at the conference.

Apart from the northern Cerrejon mine, which is to produce 11.5m tonnes in 1989, several steam coal deposits are on the verge of development for export. The projects awaits decisions on transport options involving large investments in rail and port facilities.

The centre zone of Cerrejon is to be opened up for international bids in August. Small quantities of coal are being exported through the northern zone port but this will not be possible once northern output rises to 15m tonnes. Although the centre zone mine is initially designed to produce 1.5m tonnes a year, capacity is estimated to be at least 10m tonnes a year. Plans to expand the northern zone by a further 10m tonnes to 25m tonnes a year have also been discussed.

Colombia's most recent foreign coal contract, signed between Carbocol and Drummond last August, involves the development of steam coal reserves at La Loma, about 200 km inland from the Caribbean coast. The contract allows for production of 10m tonnes a year over 30 years, and the first coal is expected to be shipped in 1992.

The Prodeco project in the La Loma area - for 3m tonnes - would use existing rail and port facilities, with some improvements. The Colombian company has its own coal port near Santa Marta and could start production next year.

All these projects are near the top of the list but Colombia has several other steam coal and some coking coal projects reserved for future development.

While banks are still wary of new coal mines, the situation is changing, and Colombia's low sulphur coal is very competitive in a market affected by international concerns over acid rain pollution.

The country is already an important player in the world steam coal trade and plans to increase its share of exports in the 1990s. The Minister of Mines mentioned a production figure of 40m to 60m tonnes for the year 2000, and 80 per cent of this would go for export.

UK forestry industry seeks further policy changes

By James Buxton, Scottish Correspondent

THE UK forestry industry said this week that further changes were needed to the forestry policy which the Government set last year when it ended tax relief for forestry. It called on the Government to adopt the right system in consultation with the industry and thereafter to "stick to it."

The call was made by Mr James Galbraith, chairman of the Forestry Industry Committee of Great Britain, the recently-formed organisation which groups both timber producers and processors. He said that the abolition of tax concessions had been a "sudden shock" which had caused a crisis of confidence.

The first to suffer were nurserymen who had had to destroy millions of young trees because of a slump in demand. In due course the problem would work through into the processing sector. The present drop in new planting was a matter of "deep concern."

Forestry policy itself had not changed but the mechanisms through which successive governments supported it had. The lesson had to be learned "that an industry such as forestry which needs investment over long timespans can only thrive when policy and the mechanisms of policy are consistent. Let us find the right policy first, in consultation with government, but thereafter let government stick to it."

The committee, which was holding its first annual meeting in Edinburgh, will be making recommendations to the Government later in the year. The body was formed after a 1986 report by the National Audit Office cast doubt on the economic viability of forestry in Britain.

The committee is concerned that land is not becoming available for forestry and that it is more attractive to buy and sell existing woodland than to plant new forests. This could eventually threaten the large timber processing industry which has grown up in recent years.

Since forestry is now being taken out of the tax system, with tax incentives replaced by increased grants for tree planting, the Forestry Industry Committee is thought likely to press for this process to be taken a stage further with the possible exemption of woodland from inheritance tax.

WORLD COMMODITIES PRICES

LONDON MARKETS

TIN prices again declined sharply on the LME yesterday, although closing above the day's lows after West German buying emerged for July delivery. The morning pre-market declined under the influence of further dollar strength versus sterling and a sharp decline in Kuala Lumpur. This triggered a wave of stale-bull liquidation down to contract lows *equivalent to levels last seen on the* free market in mid-April, traders said. Copper prices eased, with the volatility in the currency makrots keeping some traders away. Dealers said that although operators generally remain jittery over supply factors and concerned about North American contract talks, the market still appears to be on a potentially steep bear slide. Cocoa prices also eased. The Gill & Duffus forecast of a 309,000 tonne surplus had little impact, traders said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14 10-4.25w	+.025
Brent Blend	$16.50-6 56v	-.025
W.T.I. (1 pm est)	$21.00-0.10v	+1 02
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	-4½
Gas Oil	$135-136	
Heavy Fuel Oil	$83-85	+2½
Naphtha	$162-164	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$362 00	+0 75
Silver (per troy oz)♣	525c	+1
Platinum (per troy oz)	$475.25	-7 85
Palladium (per troy oz)	$150 50	-0 35
Aluminium (free market)	$1905	-50
Copper (US Producer)	114⅝-18c	+1¼
Lead (US Producer)	38.00c	
Nickel (free market)	560c	+5
Tin (European free market)	$5950	-85
Tin (Kuala Lumpur market)	26.41r	-0 90
Tin (New York)	460 0c	-8.5
Zinc (US Prime Western)	80⅞c	
Cattle (live weight)†	121.25p	-3.54*
Sheep (dead weight)†	184.18p	-50.8*
Pigs (live weight)†	89.90p	-2.16*
London daily sugar (raw)	$303u	+10
London daily sugar (white)	$380u	+8
Tate and Lyle export price	£318.5	+9.0
Barley (English feed)	£104.63w	+0.13
Maize (US No. 3 yellow)	£131 5	
Wheat (US Dark Northern)	£132.00u	+0.75
Rubber (spot)♥	60 5p	+1 0
Rubber (Jul)♥	68p	+1
Rubber (Aug)♥	66.5p	+1.0
Rubber (KL RSS No 1 Jul)	254.0m	+3.5
Coconut oil (Philippines)§	$565.0u	
Palm Oil (Malaysian)§	$375	
Copra (Philippines)§	$355 0	
Soyabeans (US)	£198	
Cotton "A" index	79 75	+0 30
Wooltops (64s Super)	620p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul x-Jul/Aug. w-Aug z-May/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Jul	820	822	833 815
Sep	842	845	854 840
Dec	896	902	907 892
Mar	890	894	902 887
May	896	900	906 892
Jul	909	913	
Sep	924	930	932 922

Turnover:3765 (5073) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 14 1002.66 (1017.33) :10 day average for Jun 15 988.66 (984.77)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1093	1090	1110 1081
Sep	1058	1068	1085 1058
Nov	1059	1067	1070 1050
Jan	1063	1073	1076 1060
Mar	1070	1078	1075 1065
May	1070	1075	1070 1065
Jly	1080	1075	1065

Turnover:3070 (8404) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 14. Comp. daily 101.61 (102.29) . 15 day average 112.55 (113.58)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	280.90	271.80	283.00 271.80
Oct	279 80	271.40	282.40 271.20
Dec	278.00	269.00	267 00
Mar	267.00	259.40	267.00 260.00
May	265.60	258.40	259.00
Oct	262.00	-	255 00
White	**Close**	**Previous**	**High/Low**
Aug	371.00	365.00	375.00 354.00
Oct	342.50	337 00	345.00 337.00
Dec	333.00	327.00	333.00 330.00
Mar	323.00	318.00	323.00 319.00
May	321 00	316.50	314.10
Aug	320 00	316.50	
Oct	318.50	314.00	308.60

Turnover: Raw 9244 (5561)lots of 50 tonnes. White 1495 (1159)
Paris- White (FFr per tonne): Aug 2580 Oct 2365, Dec 2285, Mar 2245, May 2240 Aug 2240, Oct 2100

CRUDE OIL $/barrel

	Close	Previous	High/Low
Aug	16.26	16.18	16.40 16.09
Sep	16.14	15.90	16.22 15.92
Oct	15 90	-	15.92 15.85
IPE Index	16.22	16.40	

Turnover: 9213 (7717)

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	134.25	134.25	136.00 133.75
Aug	134 00	133 75	135 50 133.75
Sep	135.00	135.00	138.00 134.75
Oct	137.50	136 50	137.50 137.00
Nov	139 00	138.00	139.00 137.50

Turnover 5306 (7536)lots of 100 tonnes

FRUIT AND VEGETABLES

Spania yellow honeydew melons are widely available 80p-£1.10 each (80p-£1.30) as are Spania apricots 50-65p a lb (60-80p) and 1kg punnets of peaches 80p-£1 00 each (£1 00-1 30), reports FFVIB. British strawberries are 50-70p a ½ lb (50-75p) and Carmel Perlotto grapes are £1 65-2.20 a lb (£1 80-2 30). Homegrown new potatoes are widely available 18-25p (22-35p) as are English new crop carrots 20-30p (25-35p). Jersey courgettes are new in 45-70p as are Dutch and French leeks 70-80p. Tomatoes are 45-65p (45-75p). Round lettuce is down to 22-32p a head (25-35p). Icebergs are down to 55-85p each (60p-1.00).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,975 tonne
Cash	1910-20	1940-50	1910/1903	1903-5		
3 months	1840-5	1866-8	1855/1835	1835-40	1850-5	34,823 lots
Copper, Grade A (£ per tonne)						Ring turnover 23,600 tonne
Cash	1673-5	1684-6	1707/1696	1707-8		
3 months	1653-4	1665-6	1680/1652	1673-4	1650-2	75,539 lots
Lead (£ per tonne)						Ring turnover 13,475 tonne
Cash	429-31	445-50	436/429	427-9		
3 months	415-6	419-9.5	418/413	413-5	413-5	9,711 lots
Nickel ($ per tonne)						Ring turnover 828 tonne
Cash	12150-250	12100-200	12200/12100	12100-200		
3 months	11200-50	11250-75	11250/11000	10950-1000	11200-50	7,280 lots
Tin ($ per tonne)						Ring turnover 910 tonne
July 3	9950-10000	10030-50		9850-9900		
3 months	9885-900	10010-20	9950/9770	9805-20	9875-900	1,487 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,950 tonne
Cash	1710-30	1650-5	1705/1695	1705-10		
3 months	1560-5	1540-5	1565/1540	1545-50	1560-5	11,698 lots
Zinc ($ per tonne)						Ring turnover 8,150 tonne
Cash	1530-40	1500-10		1510-3		
3 months	1490-5	1465-70	1490/1470	1470-5	1460-90	9,923 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	122.5	122.0	122.0 120.0
Feb	142.5	140.0	
Apr	217.0	210.0	216.5 209.0
May	235.0	228.0	233.0 228.0

Turnover 839 (1376) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	158.00	157.00	158.00 155.50
Aug	151.50	150.00	151.50
Oct	151.00	150.00	151.50 151.00

Turnover 374 (80)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jun	1415	1405	1430 1410
Jul	1390	1395	1416 1390
Oct	1508	1530	1540 1508
Jan	1551	1562	1575 1550
Apr	1576	1590	1585 1575
BFI	1396	1390	

Turnover 554 (218)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	113.25	112.75	114.00 113.25
Sep	105.70	105.30	105.75 105.40
Nov	109.10	108.65	109.10 108.80
Jan	112.45	111.90	112.45 112.15
Mar	115.55	115.15	115.35 115.50
May	118.85	118.40	118.75
Jun	120.45	120.00	
Barley	**Close**	**Previous**	**High/Low**
Sep	104.90	104.30	104.90 104.50
Nov	108.40	107.90	108.40 108.10
Jan	111.50	110.95	111.45 111.20
Mar	114.50	113.85	
May	116.00	115.50	116.00

Turnover: Wheat 190 (159). Barley 241 (199).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	113.0	113.5	
Aug	111.0	111.0	109.8
Oct	114.6	114.5	114.3
Nov	116.0	116.5	115.5
Feb	109.5	109.5	
Apr	110.5	110.5	109.8

Turnover 24 (20) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	361¾-362¼	239-239½
Opening	360½-361	239¼-239¾
Morning fix	360.35	239.165
Afternoon fix	361.5	239.861
Day's high	362¼-362¾	
Day's low	358¼-358¾	

Coins	$ price	£ equivalent
Mapleleaf	373-378	246-249
Britannia	373-378	246-249
US Eagle	373-378	246-249
Angel	370-375	243½-247
Krugerrand	361-364	238½-240½
New Sov.	84¼-85¾	55½-56¼
Old Sov.	84¼-85¼	55½-56¼
Noble Plat	477.40-485.00	318.50-324.65

Silver fix	p/fine oz	US cts equiv
Spot	345.75	520.50
3 months	358.40	532.80
6 months	371.25	544.60
12 months	398.15	588.25

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1800	121	102	12	58
1900	55	58	45	110
2000	18	28	107	179
Copper (Grade A)	**Calls**		**Puts**	
2400	146	173	21	90
2500	80	122	54	137
2600	37	83	111	198

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1050	45	68	2	40
1100	11	45	18	72
1150	1		58	
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
750	69			
800	23	58	43	18
850	2	30	33	40
900		14		74

US MARKETS

AN ANNOUNCEMENT ABOUT the federal reserve selling U.S. dollars sent panic buying into the gold and silver markets. June gold reached a high of 36950 while July silver peaked at 536. The copper and platinum markets were uneffected by the sell-offs. In the softs, sugar futures were again higher from heavy technical buying. July sugar closed at 1273 up 43. Coffee trading was lighter than earlier in the week. Cocoa prices were steady as switch activity made up most of the volume. The grain markets featured higher prices in the soybeans as commercial interest continues to provide support. Wheat futures lost ground due to scattered profit taking. Corn trading was non-eventful. In the livestocks pork bellies and hog futures gained from technical short covering. The cattle market was slow ahead of Fridays cattle on feed report. Cotton prices were lower from trade and local profit taking. The energy complex remained strong on heavy trade activity. Trading volume was again over 100,000 contracts for the session.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	367.0	363.8	369.5	360.5
Jul	368.3	365.1	0	0
Aug	370.7	367.5	372.8	362.7
Oct	374.7	371.4	376.0	367.0
Dec	378.8	375.4	382.0	370.5
Feb	382.8	379.3	377.9	377.9
Apr	387.0	383.4	0	0
Jun	391.2	387.5	384.0	384.0
Aug	395.4	391.6	388.0	388.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	485.9	486.0	487.0	473.5
Oct	487.9	488.1	488.5	475.2
Jan	489.2	489.6	489.3	478.0
Apr	492.7	493.1	0	0
Jul	496.7	497.1	494.5	494.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	530.9	535.5	529.0	526.0
Jul	533.0	528.0	536.0	517.0
Aug	537.5	532.5	0	0
Sep	542.2	537.1	546.0	526.0
Dec	554.6	549.4	559.0	539.0
Jan	558.0	552.8	0	0
Mar	566 3	561.0	570.0	549.0
May	574.6	569.2	568.5	560.0
Jul	583.2	577.6	576.0	576.0
Sep	591.8	586.0	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

June 14	Jun 13	mnth ago	yr ago
2025.6	2023.6	2004.3	1958.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.54	130.72	136.74	141.52
Futures	131.51	130.56	135.05	142.18

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	110.25	110.25	110.40	110.40
Jul	110.75	110.80	112.50	109.00
Aug	109.65	109.85	0	0
Sep	108.65	108.90	110.00	107.20
Dec	106.35	106.40	107.90	105.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	20.88	20.23	20.95	20.07
Aug	19.09	18.70	19.12	18.54
Sep	18.14	17.83	18.15	17.70
Oct	17.71	17.50	17.80	17.40
Nov	17.49	17.26	17.53	17.18
Feb	17.01	16.88	17.10	17.00
Apr	16.95	16.74	17.01	16.72

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	4645	4585	4645	4500
Aug	4670	4604	4670	4530
Sep	4720	4659	4720	4605
Oct	4770	4742	4785	4670
Nov	4860	4815	4860	4790
Dec	4925	4888	4925	4850
Mar	4725	4693	4725	4640

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1151	1147	1153	1127
Sep	1192	1186	1193	1165
Dec	1220	1216	1223	1200
Mar	1233	1220	1236	1210
May	1244	1229	1244	1215
Jul	1259	1247	1232	1231
Sep	1279	1267	1270	1248

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	118.62	117.43	118.75	116.00
Sep	112.70	112.78	112.75	110.70
Dec	109.45	109.96	109.50	107.50
Mar	110.33	112.00	110.75	108.75
May	111.51	113.00	112.50	110.50
Jul	111.25	113.00	0	0
Sep	113.00	113.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.73	12.30	12.80	12.35
Oct	12.71	12.25	12.82	12.40
Jan	12.03	11.57	0	0
Mar	12.03	11.65	12.10	11.76
May	11.90	11.59	11.95	11.72
Jul	11.82	11.53	11.82	11.76
Oct	11.66	11.40	11.55	11.55

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.65	69.34	69.10	68.45
Oct	69.90	70.39	70.36	69.75
Dec	69.77	70.35	70.20	69.51
Mar	70.50	71.10	70.75	70.50
May	70.80	71.48	71.29	70.80
Jul	71.15	71.60	71.56	71.15

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	178.20	180.50	179.50	177.25
Sep	167.40	168.85	167.40	164.40
Nov	156.60	155.00	156.80	153.60
Jan	152.40	151.50	152.75	151.00
Mar	151.75	150.40	0	0
May	150.85	149 50	0	0
Jul	150.85	149.50	0	0
Sep	150.85	149.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	734/0	729/4	738/0	725/0
Aug	700/0	691/0	704/0	687/0
Sep	661/6	660/4	665/0	656/0
Nov	644/0	645/2	646/4	638/0
Jan	652/6	654/0	654/4	647/4
Mar	662/4	663/6	663/4	657/4
May	668/4	670/0	669/0	664/0
Jul	668/4	670/4	669/0	666/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.92	21.10	21.04	20.63
Aug	21.10	21.29	21.25	20.80
Sep	21.30	21.45	21.43	21.05
Oct	21.45	21.60	21.60	21.30
Dec	21.80	21.97	21.97	21.55
Jan	21.90	22.10	22.10	21.80
Mar	22.34	22.41	22.50	22.20
May	22.46	22.55	22.40	22.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	211.4	208.0	211.9	208.0
Aug	205.3	203.1	206.8	203.0
Sep	198.3	197.6	198.5	197.0
Oct	191.5	192.0	192.5	190.5
Dec	190.0	191.1	191.0	189.0
Jan	189.5	190.7	190.5	189.0
Mar	189.2	190.2	190.5	189.0
May	188.0	190.5	190.1	188.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	259/2	258/6	259/6	255/6
Sep	247/2	246/4	248/0	246/4
Dec	245/2	245/0	246/6	243/2
Mar	253/4	253/0	253/6	251/2
May	258/2	258/2	258/2	256/2
Jul	259/2	259/0	260/0	257/6
Sep	247/0	247/0	0	0
Dec	243/6	242/6	244/0	241/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	394/2	398/6	399/0	393/0
Sep	400/4	405/6	405/4	400/4
Dec	415/0	418/6	418/4	414/0
Mar	421/0	424/2	424/0	420/0
May	407/4	411/0	409/4	407/0
Jul	369/6	371/0	371/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	71.42	71.10	71.75	70.87
Aug	69.27	69.27	69.45	69.00
Sep	70.00	69.50	70.00	0
Oct	71.90	71.75	72.10	71.60
Dec	72.35	72.00	72.42	71.92
Feb	72.42	72.20	72.50	71.85
Jun	71.70	71.46	71.70	71.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.97	47.30	47.97	47.25
Jul	47.62	47.05	47.75	47.10
Aug	46.55	45.55	46.60	45.67
Oct	42.82	42.07	42.90	41.90
Dec	44.80	44.55	44.95	44.40
Feb	46.42	46.05	46.50	46.00
Apr	43.85	43.60	43.95	43.65
Jun	47.45	47.25	47.55	47.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	34.30	33.70	34.60	33.60
Aug	33.55	33.45	34.40	33.30
Feb	48.37	47.52	49.05	47.65
Mar	47.70	47.00	48.50	47.60
Jul	49.50	49.50	50.60	0
Aug	47.80	47.25	47.80	0

LONDON STOCK EXCHANGE

Another erratic session for equities

LONDON EQUITY markets cleared the first set of this week's hurdles – in the form of the US trade figures - without too much strain yesterday, closing only a shade easier after a somewhat erratic trading session. US buying of British and other European equities was again the most encouraging feature, but the UK market turned back from its best levels when New York opened on a downward trend.

The keenly-awaited trade figures from across the Atlantic had little effect in London; the monthly deficit of $8.26bn disappointed only the most optimistic forecasters in the UK equity market.

Account Dealing Dates			
*First Dealings:	Jun 5	Jun 19	Jul 3
Option Declarations:	Jun 15	Jun 29	Jul 13
Last Dealings:	Jun 16	Jun 30	Jul 14
Account Day:	Jun 26	Jul 10	Jul 24

*New time dealings may take place from 9.00 am two business days earlier.

The day started well with the overnight strength in the dollar setting the scene for further US demand for blue chip equities in London, and another trading programme, reportedly from the London arm of a US securities house, helping the broader range of the market.

The market peaked early, however, and a gain of more than nine FT-SE points was then whittled away as the market grappled with the latest data on the UK economy.

The underlying rise of 9.25 per cent in UK earnings in April was slightly below the worst case forecasts by analysts but "brought no particular comfort," to a market still concerned over wage pressures, according to Mr Bill Smith of Prudential-Bache.

Although gains in market indices were subdued during the mid-session period, there was good US demand for a range of international stocks, notably BAT Industries, Hanson and British Airways. However, this was not always directly reflected in prices in these widely traded shares.

London began to push ahead again as it awaited the US trade figures, but was undermined towards the close by Wall Street's initial fall, which cast a query over positions in the London market built up by US houses. A further discouragement came from the futures market, where the premium on the FT-SE Index June contract melted away to leave the contract oversold at parity with the underlying index.

At the close, the FT-SE Index was a net 4 points down at 2,129.6, with traders sounding a little nervous at the loss of the 2,130 level. Turnover at 593.4m shares through the Seaq system showed a significant rise on Wednesday's 467.6m; the total was boosted by heavy business in British Steel following the trading figures.

The equity market still faces further challenges in the form of the latest data on domestic inflation today, as well as the outcome of two by-elections in the UK and elections to the European Parliament. The inflation data, in particular, could pose problems for sterling, which dipped closer yesterday to the sterling exchange rate of 90 regarded as a trigger level for the UK authorities.

FINANCIAL TIMES STOCK INDICES

	Jun 15	Jun 14	Jun 13	Jun 12	Jun 9	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.02	83.75	83.91	84.43	84.80	89.85	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.46	95.22	95.21	95.41	95.42	98.48	99.60 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1758.9	1762.9	1758.0	1770.4	1775.7	1481.6	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	183.7	184.4	183.1	182.6	189.5	221.2	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.59	4.58	4.59	4.55	4.54	4.49				
Earning Yld %(full)	11.11	11.09	11.13	11.03	11.00	11.52				
P/E Ratio(Net)(*)	10.89	10.92	10.88	10.89	11.01	10.68				
SEAQ Bargains(5pm)	25,696	23,429	24,590	24,670	26,266	28,028				
Equity Turnover(£m)†	-	904.13	1298.37	1145.12	1553.27	1187.29				
Equity Bargains†	-	25,621	28,063	27,176	30,715	30,442				
Shares Traded (ml)†	-	468.7	429.4	434.3	626.8	517.3				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1763.8	1765.5	1765.3	1765.8	1767.8	1764.8	1765.8	1762.8

DAY'S HIGH 1770.0 DAY'S LOW 1758.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil 10.80 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jun 14	Jun 13
Gilt Edged Bargains	125.4	98.4
Equity Bargains	166.0	181.8
Equity Value	2009.4	2824.3
5-Day average		
Gilt Edged Bargains	103.2	96.6
Equity Bargains	185.9	190.1
Equity Value	2822.3	2946.2

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Mixed session for Steel

Heavy trading and a somewhat erratic share price performance greeted full-year figures from British Steel. The shares firmed initially on the announcement of profits near the top of expectations, touching 89p before stories filtered into the market that the management was predicting a less than smooth ride towards the end of the current year. The weakness was exacerbated as marketmakers began trading stock with the dividend stripped out – a move that encouraged index funds, which had bought Steel for the high 5p dividend, to liquidate positions. The stock slipped back to 84, a net 2 lower on the day. Turnover was a strong 37m shares.

Mr Mark Wright, analyst at broker Hoare Govett, pointed out that Steel's dependence on the UK market had increased over the last year – exports were down and domestic sales up. The key to the group's performance is the difficult question of how to assess the steel market in nine months time. He has upgraded his profit forecast for the current year from £600m to £680m but is sticking with a "hold" recommendation.

"British Steel should track the market in the medium term," he said, "although it may be weak in the short term with the stock going ex-dividend on Monday and the payment of the 65p second tranche due in September. Other analysts were more cautious in their forecast, edging up £30m to £620m. "The last quarter might see trading weakness, but it will show up earlier in the share price, in sentiment if not in fact."

BAT extends gain

US buying of BAT Industries overnight meant that the stock opened strongly, a mood which was maintained through the day. It closed 16 better at 652p having touched a high of 665p; turnover was a busy 12m shares.

Currency factors contributed to the firmness of the stock, which tracked the dollar throughout the day. "It is breaking new ground in terms of relative price and relative p/e," said Mr Mark Duffy, analyst with Warburg Securities.

The stock continued to be in heavy demand in New York after London had closed; the company is about to start a series of presentations on the role of Farmers, its newly acquired insurance subsidiary, starting in New York, before moving to London and then Scotland. One analyst said that many second quarter profits estimates might have to be upgraded as a result of the recent strength of the dollar.

STC advances

Favourable predictions from the company's stockbrokers helped STC hold out against the market trend. Both the dividend and profits outlook found recommendation in a review from Hoare Govett, the securities house, now sole broker to STC.

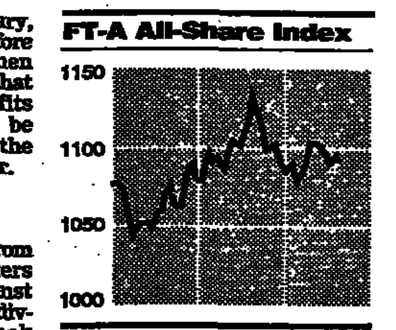
The Hoare review of STC, written by Mr Miles Saltiel, electronics analyst, rates STC shares as "undervalued" and says that the group is "poised for premium earnings growth." He believes this will come principally from the telecoms business; the ICL division should also continue a rising level of profits, but should also be seen as a valuable bargaining counter in the current round of reconstruction in the European capital electrical industry. The dividend "is set to progress above the rate of the UK market," Mr Saltiel concludes.

STC shares have moved erratically over the past couple of months, making rapid progress amid stories that deals were poending with various European companies concerning ICL. However, the shares had been declining on profit-taking until this week. Yesterday, STC moved up 5 to 359p, after touching 365p, with turnover finally at 2.1m shares.

Brewery shares were slow to respond to what looked like a climbdown by Lord Young, the Trade and Industry secretary, over the issue of whether he should implement the Monopolies Commission's recommendations for the dismantling of the breweries' tied-house system.

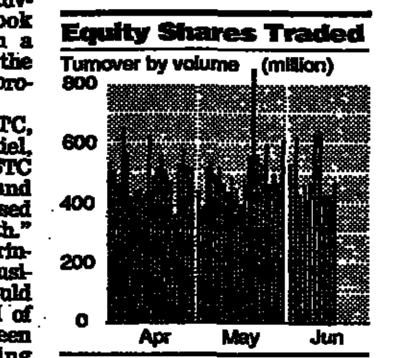
While Lord Young's statement appeared to be good news for brewery stocks, hinting as it did of a watering down of the MMC's proposed reforms, the subsequent rejection by the Brewers Society's of Lord Young's proposals kept the bulls in check. "Prolonged uncertainty can only be bearish for the sector, and it does now look like it will be a long and bloody battle," commented one drinks analyst.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Bass, widely regarded as a likely winner whatever the outcome of Lord Young's deliberations, were the sole feature among the leaders, extending the gains scored late on Wednesday by a further 19 to 993p on turnover of 2.8m shares. In contrast Allied Lyons added just 3 at 442p and Whitbread 2 at 360p, while Grand Metropolitan eased 2 to 493p.

Scottish & Newcastle were also weaker, closing 2 off at 320p after coming under selling pressure in afternoon trade. Earlier dealers had been preoccupied with suggestions that S&N was planning to sell its Thistle Hotels and use the cash to buy the Elders stake. However, the story found little favour among analysts, and as one put it: "It may be logical to attempt to buy back the Elders stake, but there is certainly no logic in selling the jewel in your crown to finance it."

Specialists noted a distinct increase in interest in the energy sector. The lion's share of demand was directed towards BP, which managed a minor improvement at 295½p on turnover of 8.6m shares after the company revealed it intends selling some of its worldwide coal interests. This comes hard on the heels of the sale of its BP Minerals division to RTZ, the UK mining group, for around $4.2bn.

Dealers said that the strong support for BP shares in recent days could perhaps have been triggered by speculation of imminent big moves by the company.

Analysts were taking the view that the coal interests could well be worth more than £250m and possibly as much as £400m – "but certainly less than $1bn (£658m), given that operating profits from that division were £30m that year," as one researcher put it. He added that the proposed sale was consistent with BP's strategy and was by no means construed as distress selling. "More sales from BP are likely," was his parting shot.

Ultramar were keenly bought from the outset, the shares improving 7 to 302½p on increased turnover of 4.3m. Dealers said the stock had been oversold after the recent placing of the 52m share stake previously held by Sir Ron Brierley's IEP Securities.

Also in the oil sector, there was a whisper around for Enterprise which moved up 3 to 538p.

Activity in overseas trader Polly Peck rocketed in the final hour of business as the stock advanced to 270p, 6 higher on the day, on a turnover of 5.7m shares. Dealing continued after the market had closed and the price rose rapidly to touch 282½p, mid-price, by the time the last broker shut up shop for the evening. Two brokers were said to be buying on behalf of Mr Asil Nadir, Polly Peck's chairman, whose holding, according to the 1988 annual report, is 54¼m shares, equivalent to around 25.1 per cent of the company.

Banks played a role, albeit a minor one, in the session's programme trades, with Barclays subsequently closing 5 off at 437p on 2.4m, Midland 4 off at 340p of 3.8m and Royal Bank of Scotland the same amount down at 280p on 2m.

Pearl, where Australian group AMP recently bought the FAI 15 per cent stake to raise its holding to 18 per cent, edged up 3 to 433p. London United, on the other hand, slumped to 55p before closing a net 6 lower at 59p after the egm.

Bradstock, the insurance broking group, dropped 10 to 210p after revealing interim profits down from £3.81m to £3.01m.

Westbury, the construction group were heavily bought, advancing 9 to 235p in the wake of a positive note from the building team at Panmure Gordon, the agency broker.

Leigh Interests, the waste disposal group and regarded as one of the market's "green" stocks, rose strongly to close to higher at 314p.

The Racal pair, Electronics and Telecom suffered from renewed profit-taking, closing 10 and 7 down at 522p and 502p respectively in much smaller turnover than recently.

Thorn-EMI jumped 10 to 728p after a buy recommendation issued by the leisure team at the Nomura Research Institute.

A buy recommendation in a specialist newsletter generated interest in Siebe which climbed to 521p before settling back to 518p, a net improvement of 7. Turnover was 2.1m shares, high for the stock, and a couple of trades of more than 500,000 shares were seen on the Seaq ticker.

VSEL surprised the market with pretax profits at more than £17m; "we had been expecting £15.9m," said a marketmaker. The price firmed 7 to 465p in thin trade.

Scapa Group jumped 13 to 296 on marginally better full year profits and a one-for-one scrip issue. It settled back to 294p by the close.

Among busily traded food retailers Argyll put in a notable performance. The shares gained 2½ to 220p on good turnover of 5.7m, this in spite of talk that a leading broking house had recommended switching out of the stock into Sainsbury (up 1 at 259½p). Argyll has just completed a series of presentations to institutions including one in Scotland on Monday and a visit to Zurich two days later, and in the wake of the group's well-received figures various brokers regard the stock as good value at current levels.

Shares in beleaguered retailer Gateway dropped 1¼ to 210½p on turnover of 4.1m. The Takeover Panel's criticisms of Gateway's recent property valuation came too late to affect the share price.

United Biscuits fell 6 to 338p after the company's confirmation that it was considering selling its restaurant businesses fuelled suggestions that the group might make a US acquisition to reinforce its core biscuits, snacks and frozen foods operations. Mr Terry Sissons of Panmure Gordon, has calculated that if UB gets around £111m for the restaurants, gearing will be cut to 23 per cent. "With gearing down an acquisition is possible, which may necessitate, if large enough, the issue of some paper," said Mr Sissons.

Hanson registered a big 20m share turnover as US arbitrageurs took advantage of the cum-dividend status of ADRs. The stock put on 2 at 202p. One dealer said there had been a single straight trade of 5m shares.

Blue Arrow slipped 2 to 93p as a big US investor, said to have been working through Goldman Sachs, finished his buying operation. Turnover was 4.1m shares.

Profits takers hit WPP which shaded 7 to 707p after the announcement that its bid for US advertising agency Ogilvy Group would not be referred to MMC.

Advertising agency WCRS firmed 4 to 279p on a trade press story that French company Eurocom was poised to take up its stake in the company. It holds around 20 per cent of WCRS.

Newcomer A H Ball made a promising debut on the USM. Placed by broker Kleinwort Benson at 165p, the shares raced ahead to close at 210p and an impressive 45p premium.

News of the agreed £84m offer for Brookmount from fellow USM property group Ford Sellar Morris saw shares in the former jump 50 to 585p while the latter's stock price edged slightly ahead to end at 108p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (131).
BRITISH FUNDS (2) Tr. 2pc 1992, Tr. 2pc IL 1990, LOANS (2) AMERICANS (28) CANADIANS (4) BANKS (1) Sec. Pacific, BREWERS (1) Bass, BUILDINGS (1) Eve, CHEMICALS (4) ELECTRICALS (7) ENGINEERING (1) Metalrax, FOODS (4) INDUSTRIALS (12) Alfa-Laval AB, Amer. Bus. Systems, Astra AB, Baxter Intl., Dover, Grafton, Hanson 5¾pc Pf., Do 10pc Ln., Scapa, Shanks & McEwan, Unilever, Do. NV, INSURANCE (11) NEWSPAPERS (6) Euromoney Pbs., Hobsons Pub., Home Counties, Independent, News Corp., PAPERS (2) Lowe H-S & B., More O'Ferr., Ogilvy, PROPERTY (6) Broadwell Land, Brookmount, Ests. & Gen., Izzy Merchant Dev., Randsworth Tst., TOBACCOS (1) BAT Inds., TRUSTS (26) OILS (5) Coastal, Exxon, Occidental Pet., Royal Dutch, Sandpiper Oil, MINES (2) Anglo Amer., Haemocea, THIRD MARKET (1) Royal Sovereign.

NEW LOWS (46).
BRITISH FUNDS (1) Tr. 10pc Cv. 1990, INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Mals 10¾pc Ln 2009, CORPORATION LOANS (1) Manchester 11½pc Ln 2007, CANADIANS (1) Nova Corp of Alberta, BANKS (4) Fuji Bank, Gerrard & Nat., Morgan Grenfell, Sumitomo Bank, BUILDINGS (6) CHEMICALS (1) Amersham Intl., STORES (1) DAKS Stores, ELECTRICALS (4) Circaprint, Cont. Microwave, Radamec, Real Time Cont., ENGINEERING (1) Cooper (Fr), INDUSTRIALS (6) Aaronson Bros., Eng. China Clays, Mainmet, Myson, Relyon, Welpac, INSURANCE (2) Bradstock, Hogg Rob. & Gardner, MOTORS (2) Hartwell, Jessups, PAPERS (1) Monotype, PROPERTY (3) LETINVEST 10¼pc 2012, Regalian, Zurich, TEXTILES (1) Stoddard, TRUSTS (8) OILS (2) Gulfstreams, Highland Parts., OVERSEAS TRADERS (1) Polly Peck. Intl., MINES (4) AuDAX Res., Emperor Mines, OFS Invs., Waverley Mining Finance.

APPOINTMENTS

Glaxo Pharmaceuticals new managing director

■ Mr Sean Lance has been appointed managing director of GLAXO PHARMACEUTICALS, a UK subsidiary of the Glaxo Group. He succeeds Dr Franz Humer whose election to the board of Glaxo Holdings was reported on June 14.

The current regional responsibilities of Mr Lance as a regional director have been re-organised. Dr Alistair Stokes, managing director of Glaxo Laboratories, a UK operating subsidiary of Glaxo Pharmaceuticals, will become a regional director responsible for South East Asia (China, Hong Kong, Malaysia, the Philippines, Singapore, Sri Lanka, South Korea, Taiwan and Thailand).

Mr Ken Windle, managing director of Glaxo Australia Pty, also becomes regional director responsible for New Zealand, Indonesia and South Africa.

■ THE UNITED BANK OF KUWAIT has appointed Mr *Andrew Pointon* as assistant general manager responsible for treasury and fund management. He joins from Bank of America where he was senior vice president responsible for international treasury and foreign exchange.

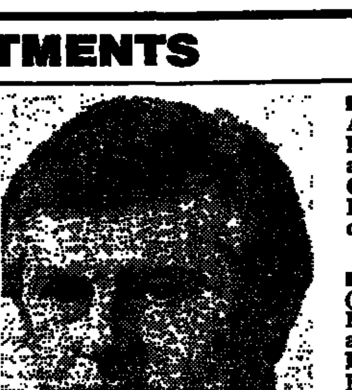
■ Mr Geoff Holt has been made a director of FULTON PREBON STERLING.

■ Mr Raymond Goodall has been appointed a director of HAVELOCK EUROPA. Mr Goodall *is managing director* of Nottingham Shopfitters, the shopfitting operation which Havelock Europa bought from Boots in July 1988.

■ LYNX GROUP, an electronics specialist, has appointed Mr Stephen Hinchcliffe as its chairman. He was formerly chairman of Data Memories, a company acquired by Lynx in March shortly after the acquisition of Russet Instruments. Mr Keith Nagel, the former chairman, has resigned to pursue other business interests.

Mr Eddie George, chairman of Russet Instruments, has been appointed chief executive in place of Mr David Taylor who has resigned as a director of Lynx but who will remain as a consultant. Mr Andrew Hartley has also been appointed to the board of Lynx. Mr Michael Porter, a non-executive director of Lynx, has resigned.

■ GARTMORE FUND MANAGERS has appointed Mr Duncan Trinder as a fund manager on its UK desk with responsibility for larger stock growths. He was a senior pension fund manager with Bankers Trust Investment Management.



Mr Christopher Fish *(above)* has been appointed to the new post of chief executive of LEOPOLD JOSEPH's operations in Guernsey. He was deputy managing director of RBC (Channel Islands).

■ Mr Ron Dexter has been appointed managing director of A1 PACKAGINGS (SOUTHERN), Crawley. He was sales director.

■ WALTHAMSTOW BUILDING SOCIETY has appointed Mr Peter Brierley as assistant general manager (finance). He was accountant.

■ Sir David Nicholson has joined the board of SOUTHERN WATER.

■ Mr A.G. Weller has been appointed to the new post of group financial controller at STURGE HOLDINGS. He was financial controller of R.W. Sturge & Co.

■ THE WINE AND SPIRIT ASSOCIATION has elected Mr Bernard J. Ryan (Courage) as president and Mr Alastair G. Eadie (International Distillers & Vintners UK) as chairman.

■ Mr Richard Hargreaves (managing director, Baronsmead) has been appointed chairman and Mr Robert Drummond (director, Electra Investment Trust) becomes vice chairman of the BRITISH VENTURE CAPITAL ASSOCIATION.

■ *UNIBIT (HOLDINGS)*, Bradford, has appointed Mr Emyr Hughes as a non-executive director. He is a director of Kleinwort Benson Development Capital.

■ Mr Mike Tagg has been appointed a director of R.P. MARTIN DEPOSITS.

■ BLUEBIRD TOYS has appointed Mr Terry Crew as sales director of Merit Toys from July 1. He was national account manager at Bluebird Toys. Ms Nicola Basham has been appointed head of group marketing at Bluebird Toys. *She was marketing director* for girls toys at Hasbro Bradley (UK).

■ Mr Frank Goddard has been appointed vice president of information systems and technology for the MAXWELL/MACMILLAN group. He was information systems director of Maxwell Communication Corporation.

FT LAW REPORTS

Sugar contract time term is not a condition

SARA D
Court of Appeal
(Lord Justice Kerr,
Lord Justice Lloyd and
Lord Justice Butler-Sloss):
June 8 1989

A TIME clause in a mercantile contract is not necessarily a condition; and failure to fulfil an obligation to open a performance bond guarantee within a specified time is not a repudiation, in the absence of *express or implied indication* to the contrary, if it relates not to the main part but to a subsidiary part of the contract and has only a small commercial value within the context of the contract as a whole.

The Court of Appeal so held when allowing an appeal by Trans Continental Affiliates Ltd (formerly M. Golodetz Ltd), sellers of sugar afloat on the Sara D, from Mr Justice Evans's decision that they had repudiated the contract for sale of the sugar to the buyers, State Trading Corporation of India Ltd, by failing to open a countertrade guarantee performance bond within the time specified in the contract.

LORD JUSTICE KERR said that the dispute arose out of a contract for the sale of 12,600 metric tons of South Korean sugar on December 11 1985 c & f to an Indian port at $201.95 per ton.

Payment was to be by irrevocable letter of credit to be opened within seven days from conclusion of the contract. The sellers were to give a *performance bond guarantee* (the "sugar PBG") and were to instruct their bank to open it immediately on conclusion of the business.

It was expressly provided that the letter of credit was to be operative irrespective of whether the sugar PBG had been notified to the opening bank.

The contract also provided for the countertrade of unspecified goods to a value of 60 per cent of the stowed value of the sugar, to be carried out within six months.

The sellers were to give a further performance bond (the "countertrade PBG") for 3 per cent of the countertrade within seven days of conclusion of the contract.

Both parties appreciated that the c & f sale and purchase was for a cargo of sugar already afloat on the Sara D. The buyers insured the sugar. The vessel sank the following day so that the cargo became a total loss before expiry of seven days from conclusion of the contract.

By that time the sellers had provided the sugar PBG, but not the countertrade PBG.

The buyers failed to open the letter of credit without giving any reason. They made no reference to the countertrade PBG. After some fruitless exchanges and meetings the sellers treated the buyers' failure to open the letter of credit as a wrongful repudiation and brought the contract to an end.

The sellers claimed damages equal to the price of the sugar. In defence the buyers relied on the sellers' failure to provide the countertrade PBG within seven days.

The arbitrators decided in favour of the sellers. *They held* that the sellers' obligation concerning the countertrade PBG was not a condition of the contract, and that the contract came to an end when the sellers justifiably treated the buyers' failure to open the letter of credit as a wrongful repudiation. They awarded the sellers $2.5m damages.

Mr Justice Evans reversed the arbitrators' decision. The sellers now appealed.

The first question was whether the sellers' obligation concerning the countertrade PBG was a condition of the contract.

The answer was unhesitatingly "no".

The sellers' obligation was to give the countertrade PBG within seven days. But there was nothing *in the contract* which made timeous performance a condition precedent. It was not expressed to be a condition precedent to the buyers' obligation to open the letter of credit within seven days.

In *Wallace v Pratt [1910] 2 KB 1003* Mr Justice Fletcher Moulton said that conditions were terms "which go so directly to the substance of the contract . . . that their non-performance might fairly be considered by the other party as a substantial failure to perform the contract at all."

In *Photo Production v Securicor [1980] AC 827* Lord Diplock said that the expression "breach of condition" should be reserved for situations "where the *contracting parties have* agreed . . . that *any* failure by one party to perform a primary obligation . . . shall entitle the other . . . to put an end to all primary obligations of both parties."

Those were two authoritative definitions of the nature and effect of contractual terms to be classified as conditions.

In situations where it was clear that performance was a condition precedent to performance of other terms by the other party, the commercial necessity for that characteristic might be self-evident.

But in other situations the issue whether or not a particular term was a condition must inevitably involve a value judgment about the commercial significance of the term in question.

Where the parties had not given any express indication of their intentions in that connection, the court must consider whether or not they had done so by necessary implication from the nature, purpose and circumstances of the contract.

In *Bentsen v Taylor [1893] 2 QB 274* Lord Justice Bowen said "There is no way of deciding that question except by looking at the contract in the light of the surrounding circumstances, and *then making up one's mind* whether the intention of the parties as gathered from the instrument itself, would best be carried out by treating the promise as a warranty sounding only in damages, or as a condition precedent."

That had been approved in the House of Lords (see *Bunge v Tradax [1981] 1 WLR 719*).

In the present case there was only one factor in favour of the view that the sellers' obligation to give the countertrade PBG was a condition. That was the fact that it was to be performed within a definitive time.

But there were many transactions in which provisions as to time were not of the essence of the contract.

Unless the term had the effect of a condition precedent to some other aspect of the contract, or had already been classified authoritatively as a condition in other contexts, "the courts should not be too ready to interpret contractual clauses as conditions" (per Lord Wilberforce in *Bunge v Tradax*).

On the other hand Lord Wilberforce also said that in *suitable cases the courts should* not be reluctant, if the parties' intentions so indicated, to hold that an obligation had the force of a condition; and that "they should usually do so in the case of time clauses in mercantile contracts."

If there was no specific guide to the correct solution to a particular dispute, the court *might have no alternative but to* follow Lord Justice Bowen's general statement in *Bentsen v Taylor* by making a value judgment about the commercial significance of the term in question.

Giving due weight to the fact that the countertrade PBG obligation was a time clause, everything nevertheless pointed away from the conclusion that the obligation was to be classified as a condition.

It was not a condition precedent to anything under the express terms of the contract, and there was no reason for concluding that it had that character by implication.

It did not relate to the main and immediate transaction, but to another one which not to be performed for a further six months. It was relatively unimportant in terms of money. Compliance was obviously of far less commercial importance than compliance with the time for opening the sugar PBG, yet it was expressly agreed that the obligation to open the latter was not a condition precedent to the opening of the letter of credit. It was impossible to accord a higher categorisation of obligation to the countertrade PBG than to the sugar PBG.

The commercial significance of the countertrade PBG was only a matter of relatively small sum of money. After December 18 the buyers had an irresistible claim against the sellers for a deposit of 3 per cent of 60 per cent of the stowed value of the sugar. If it had been claimed the buyers would clearly have been entitled to set off the sum against the sellers' claim for damages for failure to open the letter of credit. That would have provided the buyers with a perfectly adequate remedy for the sellers' breach.

There was no basis for concluding that the sellers' obligation concerning the countertrade PBG had the character of a condition, let alone a condition precedent to *the buyers' obligation to open* the letter of credit. There was no basis for treating the failure to open the countertrade PBG within seven days as a breach which went to the root of the contract.

Mr Diamond for the buyers sought to derive assistance from the authorities on deviation and in the law of insurance in the event of breaches of warranty. In both cases the equivalent of acceptance of repudiation operated retrospectively as from date of breach and not merely prospectively from acceptance of repudiation.

It was not accepted that any general principle concerning wrongful repudiation of contract was to be derived from those authorities. It might be safer and better to treat the jurisprudence in those fields as divorced from the general law concerning termination of contracts by the acceptance of breaches as wrongful repudiation.

The appeal was allowed. The arbitrators' award was restored.

Lord Justice Lloyd gave a concurring judgment. Lord Justice Butler-Sloss agreed.

For the sellers: Bernard Rix QC and Angus Glennie (Sinclair Roche & Temperley).
For the buyers: Anthony Diamond QC and Geraldine Andrews (Ince & Co).

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	57.59	58.20	61.92	-0.64	4.43
Gilts & Fixed Int	6	108.20	108.20	114.7		8.72
High Inc Equity	6	132.6	135.5	144.2	+0.8	4.40
Worldwide Bond	6	211.10	211.1xd	223.6	+0.9	4.34
Capital Growth						
American Growth	6	197.5	197.5	211.3	+1.8	0.90
Asian Pacific	6	98.35	98.35	105.3	+0.1	1.24
Assets & Earnings	6	158.9	158.9xd	170.0	+0.9	2.18
Capital Reserve Acc	0	85.13	85.13	85.19	+0.01	4.70
Commodity & Energy	6	102.2	102.2	109.4	+0.7	1.74
1992 Enterprise	6	57.98	59.09	62.87	-0.09	2.86
European Capital	6	87.71	88.34	94.09	+0.2	0.80
General	6	175.0	178.0	189.4	+1.3	2.38
International		47.19	47.19	50.14	-0.04	1.00
Japan	6	104.0	104.0	111.3	-2.5	0.00
Mastertrust	6	86.43	86.43xd	92.44	-0.08	1.84
UK Growth Acc	6	200.1	200.1	214.10	+1.6	1.31
UK Growth Dist	6	133.4	133.4	142.7	+1.0	1.96
US Emerging Cos	6	58.46	60.32	64.18	-0.07	0.00
Income & Growth	6	291.2	291.2xd	311.5	+2.9	3.29
Ethical	6	49.00	50.20xd	53.41	+0.12	1.87
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	33.07	33.07xd	35.30	-0.17	3.21
European	5½	65.34	65.53	69.96	-0.11	0.00
European Income	5½	65.23	65.23xd	69.63	-0.31	3.04
Exempt	1	798.5	798.5	833.3	-4.30	2.25

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sm Dvd Gilt & FI	1¼	53.11	53.11	53.85	-0.02	12.93
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green W12 8SD 01-740 7070						
UK General Tst	5½	53.76	54.59	58.38	+0.09	2.70
Global Tst	5½	43.51	43.97	47.03	-0.18	2.01
Recovery Tst	5½	53.32	55.53	59.07	+0.26	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr Cottons Lane, Ldn SE1 2QL 01-234 6000						
Growth Fd Acc	5	107.8	109.2xd	115.2	+0.9	3.67
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	64.43	64.43	68.54	+0.32	0.64
CS International F	5	57.00	57.00	60.63	+0.29	1.76
CS Japan F	5	122.2	122.2	127.8	-2.2	0.35
CS Portfolio Inv ♦	5	72.09	72.09xd	76.69	-0.15	1.47
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar Herts 0707 51122						
Can Gen Dist	5	140.6	145.7	153.3	-1.00	3.02
Do Gen Accum	5	234.5	243.0	255.8	-1.60	3.02
Do Income Dist	5	93.19	97.04xd	102.2	+0.30	5.51
Do Inc Accum	5	213.5	222.3	234.0	+0.60	5.51
Gilt & Fxd Int	5	35.37	35.42	37.28	-0.02	8.61
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley HA9 0NB Dealing 0800 282621						
01-902 8876						
Growth	5½	37.94	37.82	40.47	+0.10	2.51
Income	5½	47.46	47.46	50.76	-0.11	4.38
Far East ♦	5½	35.69	36.37	38.69	-0.38	0.06
North American ♦	5½	37.98	38.58	41.04	-0.44	1.75
Global ♦	5½	51.01	51.95	55.27	-0.13	1.77
European	5½	55.26	56.07	59.65	-0.16	0.90
Japan ♦	5½	101.2	103.1	109.7	-1.50	0.01
Intl Currency Bd	5½	44.16	44.16	46.84	-0.10	6.40
Strategic Opps	5½	53.79	53.79xd	57.53	+0.08	1.27

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Unit Trusts Ltd (1200)F						
192 Eyre Street, Sheffield, S1 3RD 0742 529888						
British Tst	6	56.75	57.08	61.09	+0.51	2.27
(Accum Units)	6	57.67	58.02	62.05	+0.53	2.27
Capital	6	119.7	119.7	128.0	+0.2	1.98
(Accum Units)	6	171.4	171.5	183.4	+0.4	1.98
European Growth	6	127.0	127.0xd	135.3	+0.2	0.39
(Accum Units)	6	156.3	156.4	166.5	+0.2	0.39
Extra High Inc	6	70.67	71.70	76.68	+0.31	6.38
(Accum Units)	6	95.41	96.77	103.5	+0.4	6.38
Gilt & Fxd Int	4	49.80	49.80xd	51.96	+0.02	8.97
(Accum Units)	4	99.90	99.91	104.2	...	8.97
High Yield	6	203.2	205.9xd	220.2	+0.6	4.97
(Accum Units)	6	391.6	396.9	424.5	+1.3	4.97
Income	6	240.2	242.8	259.7	+1.3	3.48
(Accum Units)	6	427.1	431.8	461.8	+2.4	3.48
Intl High St UT	6	54.98	54.99	58.81	+0.10	1.61
(Accum Units)	6	56.68	56.68	60.62	+0.11	1.61
Japan Growth	6	364.8	364.8	390.3	-5.6	0.00
(Accum Units)	6	383.4	383.5	410.2	-5.9	0.00
Mandarin Tst	6	57.54	57.55xd	61.55	+0.25	0.77
(Accum Units)	6	58.01	58.02	62.05	+0.26	0.77
Mngd P'folio Acc	6	69.85	70.53	75.43	+0.08	1.64
Money Market UT	4	49.15	49.15xd	51.11	+0.01	10.82
North American	6	130.1	131.8xd	141.0	+1.0	0.37
(Accum Units)	6	160.6	162.8	174.1	+1.2	0.37
Smaller Cos	6	183.3	183.3	196.0	+0.8	1.29
(Accum Units)	6	203.2	203.2	217.3	+0.9	1.29
Meridian Income	6	107.5	108.4	115.9	+0.1	3.72
(Accum Units)	6	110.2	111.1	118.8	...	3.72
Meridian Growth	6	115.9	116.7	124.8	+0.3	1.52
Midland Personal Pension Unit Trust *						
British	6	57.29	57.94	61.64	+0.52	2.27
European Growth	6	57.94	58.03	61.73	+0.08	0.39
Gilt & Fixed	6	48.93	48.93	52.03	+0.02	8.72
Income	6	53.66	54.52	58.00	+0.29	3.56
Japan Growth	6	53.48	53.79	57.22	-0.82	0.00
Managed	6	54.98	55.81	59.37	+0.07	1.64
Money Market	6	52.37	52.37	55.51	+0.01	10.79
North American	6	60.80	61.93	65.88	+0.43	0.38
Midland PSAVCS Unit Trust *						
British	6	54.35	54.95	58.46	+0.49	2.27
European Growth	6	56.57	56.65	60.27	+0.08	0.39
Gilt & Fixed Int	6	48.47	48.47	51.54	+0.02	8.75
Income	6	54.72	55.61	59.16	+0.30	3.56
Japan Growth	6	55.78	56.10	59.68	-0.86	0.00
Managed	6	54.31	55.12	58.64	+0.06	1.64
Money Market	6	50.72	50.73	53.76	+0.01	10.80
North American	6	61.05	62.21	66.18	+0.44	0.38

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Phillips & Drew Unit Managers Ltd						
14 Finsbury Square, London EC2A 1PD 01-628 6070						
Charities Fxd Int		96.98	96.98	97.13	......	9.6
Charities Ind Lkd		99.09	99.09	99.3	......	2.5
UK Exempt		103.1	103.1	104.9		4.5
Charities IMU		108.3	108.3	109.5	+1.9	2.6
Prolific Unit Tst Mngrs Ltd (1200)H						
222 Bishopsgate, London EC2 01-247 7544/7						
American Income	5	67.65	68.91	73.39	+0.95	3.68
Conv & Gilt	5	129.5	129.5xd	139.9	+0.1	6.04
Euro Gwth & Inc	5	50.96	51.92	55.53	-1.08	2.05
Extra Income	5	138.5	140.4	149.7	+0.6	4.49
Far East	5	246.9	250.2	266.9	-1.5	0.01
High Income	5	89.40	89.40	95.30	+0.54	4.23
International	5	146.0	149.4	159.0	(z)	0.67
Nth American	5	158.7	162.7	174.1	+1.3	0.01
Pref & Fxd Int	5	46.89	46.89	49.84	-0.04	8.40
Special Sits	5	110.0	110.0xd	117.6	+0.5	0.51
Technology	5	145.6	148.7xd	158.8	+0.5	0.50
Providence Capitol Fd Mgrs Ltd (1000)H						
30 Uxbridge Road, London W12 8PG 01-749 9111						
Worldwide Inc	5	98.24	98.24	104.9	+0.6	0.29
Worldwide Acc	5	102.4	102.40	109.20	+0.5	0.29
UK Equity Inc	5	74.18	74.18xd	79.90	+0.47	3.14
UK Equity Acc	5	81.59	81.59xd	87.88	+0.52	3.14
European Inc	5	112.9	112.90xd	120.80	-0.6	0.58
European Acc	5	116.90	116.90xd	125.10	-0.6	0.58
Nth American Inc	5	67.56	67.56	71.84	+0.28	1.40
Nth American Acc	5	70.06	70.06	74.50	+0.29	1.40
Japan Inc	5	111.00	111.00	118.70	-2.6	0.00
Japan Acc	5	111.20	111.20	119.00	-2.5	0.00
UK High Inc Eq Inc	5	71.22	71.22	76.97	+0.37	5.86
UK High Inc Eq Acc	5	79.11	79.11	85.50	+0.42	5.86
Hong Kong Inc	5	39.09	39.09	41.69	-0.46	3.20
Hong Kong Acc	5	40.45	40.45	43.14	-0.47	3.20
Swiss Equities Inc	5	37.64	37.64	40.35	+0.23	1.20
Swiss Equities Acc	5	37.96	37.96	40.70	+0.23	1.20
W'wide Bond Inc	5	52.46	52.46	55.39	-0.01	5.85
W'wide Bond Acc	5	54.16	54.16	57.19	-0.01	5.85
Emerging Asia Inc	5	83.41	83.41	89.36	+0.7	0.00
Emerging Asia Acc	5	83.41	83.41	89.36	+0.7	0.00
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	122.1	123.9	131.8	+0.7	2.62
PM Income & Gth	5	103.2	105.0	111.7	+0.9	4.69
PM Nth Amer Gth	5	98.11	98.11	61.81	+0.1	1.22
PM European Gth	5	56.46	56.46	60.06	+0.28	0.74
PM Japan Gth	5	75.73	75.88	80.72	-1.94	0.30
PM Overseas Gth	5	52.96	52.96	56.34	-0.56	0.47

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Holborn Unit Tsts Ltd (1445)H						
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						
Holborn Trust	6	23.37	23.68	25.32	—	1.13
Holborn Comm	6	76.64	76.64	81.96	-0.13	0.30
Holborn Equity Inc	6	68.52	68.52xd	73.28	+0.01	4.64
Holborn Equity	5	557.13	565.29	598.19	+1.98	3.36
Holborn European	6	133.49	134.99xd	144.37	+0.33	0.50
Holborn High Inc	6	83.24	83.24xd	89.02	+0.02	5.99
Holborn Intl Grth	6	119.90	119.90	128.23	-0.57	1.00
Holborn Intl Sm Co	6	54.10	54.10	57.86	+0.05	0.03
Smith & Williamson Unit Tst Mgrs (1000)F						
1 Riding House St, London W1A 3AS 01-637 5377						
S & W American	5	177.9	180.2xd	190.6	-0.9	1.23
S & W Far Eastern	5	102.4	103.4	109.4	+0.9	0.00
S & W Growth	5	96.90	98.18	103.8	-0.3	1.98
S & W Income	5	98.69	101.0	106.8	+0.1	5.48
S & W Smllr Secs	5	266.7	275.7	291.7	-0.6	1.03
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Caurtld Primrose	5½	49.51	50.26	53.53	-0.01	9.03
Ethical	5½	46.79	47.59	50.36	+0.26	4.07
Income	5½	44.52	45.23	48.37	+0.21	7.03

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours, ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

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	Init. Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	62.38	65.49	69.67	+0.86	6.86
European	5	67.28	67.73	72.04	+0.29	0.09
Far Eastern	5	60.62	60.76	64.63	+0.58	0.71
Growth Inc	5	88.79	92.31	98.20	+0.58	1.40
Growth Acc	5	88.79	92.31	98.20	+0.58	1.40
Income Inc	5	83.89	85.88	91.37	+0.06	4.72
Income Acc	5	83.89	85.88	91.37	+0.06	4.72
Property Share	5	54.45	54.45	58.03	+0.11	0.99
Smaller Co's	5	58.90	62.22	66.19	+0.12	1.45
Formerly RMC Trust Managers Ltd						
Nth American	5	67.63	67.63xd	72.32	+0.56	1.48
International	5	48.40	48.40xd	51.76	+0.29	1.59
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY 01-588 0592						
Growth	5	114.83	114.83	119.83	.....	3.97
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield 0484 602250						
Yorkshire General	5¼	62.86	65.30xd	69.51	+0.08	2.63
YUTM UK Eqty Inc Tst	5¼	59.73	61.81	65.76	-0.02	4.64
YUTM Intl Grth Tst	5¼	51.11	51.11	54.54	-0.15	1.00

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	505.6	.....	–
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund May 31		515.45	.....	4.75
Fxd Int Sec May 31		139.45	.....	10.25
Deposit May 31		100.00	.....	12.45
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc June 7	160.5	164.5xd	-0.50	9.74
C'inco Acc June 7	658.5	675.1xd	-2.00	9.74
C'share Inc June 7	146.8	152.2xd	-0.20	3.59
C'share Acc June 7	161.3	167.3xd	-0.20	3.59
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income May 31		487.57	.....	4.90
Accum May 31		1620.94	.....	–
Edinburgh Fund Mngrs PLC				

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc(z)	172.4	181.5	+0.5	–
Property(z)	561.8	591.3	.....	–
Mtple Inv Pens Acc(z)	1419.6	1494.2	+5.9	–
Becker Funds				
Prof. Pen. Fd	94.1	99.00	+0.1	–
YRA Strategy	117.6	123.7	-0.2	–
Loughton Dollar (SE)	135.4	142.5	-1.4	–
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	260.8	274.6	+0.1	–
Equity Acc	850.0	894.8	-1.1	–
Property Acc	494.2	520.3	+0.1	–
Far East Acc	203.5	214.3	-1.8	–
European Acc	23.2	24.5	+0.1	–
Managed Acc	671.9	707.3	-0.7	–
Managed Cap	381.5	401.6	-0.4	–
O'seas Earnings Acc	555.0	584.3	-0.3	–
Gilt Edged Acc	304.5	320.6	-0.3	–
American Equity Acc	482.9	508.4	+2.0	–
American Man. Acc	224.0	235.8	+0.8	–
American Prop Acc	154.5	162.7	+0.8	–
Pen. F.I. Dep. Cap	287.5	302.7	+0.1	–
Pen. F.I. Dep. Acc	492.6	518.6	+0.1	–
Pen. Prop. Cap	581.2	611.8	+0.1	–
Pen. Prop. Acc	1099.6	1157.5	+0.4	–
Pen. Man. Cap	824.5	867.9	+4.1	–
Pen. Man. Acc	1559.3	1641.4	+8.0	–
Pen. Gilt Edg. Cap	308.0	324.3	-0.2	–
Pen. Gilt Edg. Acc	476.0	501.1	-0.3	–
Pen. Eq. Cap	1350.3	1421.4	+7.9	–
Pen. Eq. Acc	1955.5	2057.4	+11.5	–
Pen. Am. Eq Cap	160.6	169.1	+0.7	–
Pen. Am. Eq Acc	193.9	204.2	+0.8	–
Pen. Far East Cap	242.7	255.5	-2.1	–
Pen. Far East Acc	293.2	308.7	-2.5	–
Pen. Euro Cap	26.6	28.0	+0.2	–
Pen. Euro. Acc	28.8	30.4	+0.2	–
Pen. B.S. Acc	540.0	567.1	+0.2	–
Pen. B.S. Cap	324.6	340.3	+0.1	–
Pen. D.A.F. Acc	378.2	378.2	+0.1	–
Pen. D.A.F. Cap	254.7	254.7	.....	–
Pen. Mortgage Cap	145.3	153.0	+0.1	–
Pen. Mortgage Acc	175.5	184.8	+0.1	–
Barings Funds				
Pen Equ Cap	28.5	30.0	+0.1	–
Pen Equ Acc	29.6	31.2	+0.1	–
Pen Am Eq Cap	34.9	36.8	+0.2	–
Pen Am Eq Acc	36.3	38.3	+0.2	–

Continued on next page

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Premium Life Assurance Co Ltd

37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	135 0	143 0	+1.0	–
Building Soc. Fd	171 0	180 0	....	–
Balanced	283 0	298 0	.....	–
European	177 0	187 0	....	–
GT Managed	176 0	186 0	.....	–
Gartmore Mngd	116 0	123 0	....	–
German	122 0	129 0	-1 0	–
Gilt	179 0	189 0	+1.0	–
Global	48 0	51 0		–
High Inc	120 0	127 0	....	–
International Equity	196 0	207 0		–
Japan	236 0	249 0	-2 0	–
Managed	63 0	67 0	....	–
Property	283 0	298 0		–
P. W. Imperial Gold	142 0	150 0		–
UK Equity	364 0	384 0	+1.0	–
Pension Funds				
American	154 0	163 0	.....	–
Building Soc. Fd	171 0	180 0	—	–
Balanced	218 0	230 0	....	–
European	172 0	182 0	....	–
German	107 0	113 0	....	–
Gilt	153 0	162 0	...	–
International Equity	142 0	150 0	....	–
Japan	135 0	143 0		–
Managed	64 0	68 0		–
Property	217 0	229 0		–
UK Equity	329 0	347 0	+1 0	–

Prolific Life & Pensions Ltd

Stramongate Kendall Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	597 8	630 0	+1 1	–
Adventurous Mngd	129 5	136 5	+0 6	–
Secure Mngd	108 8	114 7	+0 1	–
Cash Fd	233 0	245 6	.	–
Property Fund	255 7	304 0		–
Equity Fund	675 7	712 1	+1 9	–

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Communications	104 5	110.1	-0.2	–
Smaller Companies	106 6	112.3	+0 2	–
International Small Cos	132.1	139 1	+0.1	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary June 14	£154 42	159.83	+1.28	–
Equity June 14	£167 21	173 43	+0 73	–
International June 14	£26 59	27.41	+0 64	–
Intl Bond June 14	£12.49	13 16	+0 42	–
Fixed Int June 14	£70 50	71.44	-0.23	–
Index Linked June 14	£59 40	60 15	+0 04	–
Property June 14	£109 66	116 20	+0 13	–
Cash June 14	£20 8889	20 8889	+0 0523	–
Pru-Linked Retirement Plan				
Managed June 14	379 2	395 1	.....	–
Cash June 14	196 2	204 4	....	–
Prudential Pensions Investment Account				
Pens Mngd June 15	155 4	163 9	+0.3	–
Pens UK Eq June 15	298 7	322 2	+0 7	–
Pens Intl June 15	187 6	201.6	-0 3	–
Pens Fixed June 15	161 6	170 6	.	–
Pens Index Lk June 15	152 2	160.7	+0.5	–
Pens Cash June 15	128.1	135 0	....	–

Regency Life Assurance Co Ltd

Regency Hse Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Prflio Fd	118 4	124 6	+0 2	–
Balanced Prflio Fd	309 9	326 1	+0.9	–
Cautious Prflio Fd	120 4	126 7	+0 1	–
Elite Fund	107.5	113.1	+0 9	–
European Fund	85 4	89 8	+0.4	–
Far East Fund	103 1	108 5	-2 4	–
Fixed Interest Fund	236 6	249 0	-0.2	–
International Fund	269 8	283 9	-1.5	–
Money Fund	176.6	185 8	..	–
N American Fd	124 0	130.5	+0 6	–
Property Fund	409 3	430 8	+0.7	–
UK Equity Fd	377 4	397.2	+2.5	–

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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99½	98⅞	Exch.10pc 1989	99½	.....	10.05	13.61
99⅜	98¼	Exch 11pc 1989	99¼	.....	11.10	13.68
98⅜	95⅝	Treas 5pc 1986-89	98⅛	.....	5.10	11.05
99⅝	98⅝	Exch 10¼pcCv '89	98⅞	.....	10.39	13.51
101¾	99⅛	Treas 13pc 1990‡‡	99⅞xd	.....	13.02	13.33
99⅜	98⅛	Exch 11pc 1990‡‡	98¼	.....	11.18	13.54
101⅛	99¼	Exch. 12¼pc 1990	99¼	.....	12.59	13.40
94⅛	91¼	Treas. 3pc 1990	93⅞	+⅛	3.20	10.62
96¾	95⅝	Treas 8¼pc 1987-90‡‡	95⅝	−⅛	8.62	13.00
98⅜	95¼	Treas. 8pc Cv 1990‡‡	95¾xd	+⅛	8.38	12.67
98⅞	96⅛	Treas. 10pcCv 1990	96⅜	+⅛	10.37	12.90
91⅛	87⅞	Exch 2½pc 1990	90⅝	.....	2.76	9.69
101⅞	98⅛	Treas 11¾pc 1991	98⅞	.....	11.90	12.64
92⅜	89⅝	Funding 5¾pc '87-91‡‡	91⅛	.....	6.31	11.32
89⅞	86⅜	Treas. 3pc 1991	88⅞	.....	3.38	9.59
100⅛	95⅛	Treas 10pc Cv '91‡‡	95⅞	+⅛	10.42	12.29
101⅛	97⅛	Exch. 11pc 1991	97¾	.....	11.26	12.13
94⅛	91⅛	Treas. 8pc 1991	91⅞	+⅛	8.74	12.05
106⅛	102⅛	Treas 12¾pc 1992‡‡	102¼xd	−⅛	12.47	11.73
99½	95⅞	Treas 10pc 1992	95⅞	+⅛	10.42	11.77
94⅛	91	Treas. 8pc 1992‡‡	91⅛	+⅛	8.78	11.74
100¾	96⅞	Treas 10½pc Cv 1992‡‡	97⅛	+⅛	10.81	11.66
85⅛	82¾	Treas. 3pc 1992	82⅞	+⅛	3.62	9.74
105⅞	101¼	Exch. 12¼pc '92	101⅛	+⅛	12.08	11.71
109¾	104⅞	Exch 13½pc 1992	104⅞	+⅛	12.87	11.62
94⅛	90⅞	Treas 8¼pc 1993	90⅞	+⅛	9.11	11.46
100⅛	95¾	Treas 10pc 1993‡‡	95⅞	+⅛	10.41	11.28
108¾	103⅞	Treas 12½pc 1993‡‡	103⅞	+⅛	12.06	11.35
87¼	84¼	Funding 6pc 1993‡‡	85⅝	.....	7.01	10.26
113¾	108¼	Treas 13¾pc 1993‡‡	108¾	+⅛	12.68	11.24
94¾	89¾	Treas. 8½pc 1994	89⅞	+⅛	9.44	11.31
117⅞	112⅛	Treas 14½pc 1994‡‡	112⅛	+⅛	12.90	11.02
113⅞	107⅞	Exch 13½pc 1994	107¾	+⅛	12.51	11.33
100⅝	95⅞	Treas. 10pc Ln. 1994‡‡	95⅞xd	+⅛	10.44	11.11

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
110¼	104⅞	Exch. 12¼pc 1994	104⅛	+⅛	11.96	11.31
96⅞	91⅝	Treas 9pc 1994‡‡	91⅞	+⅛	9.81	11.05
108⅞	102⅞	Treas 12pc 1995	102⅞	+⅛	11.66	11.28
79⅞	74½	Exch 3pc Gas 90-95	75¼	.....	3.96	8.19
101⅞	95¾	Exch. 10¼pc 1995	95⅞xd	+⅛	10.66	11.14
113⅞	107⅛	Treas 12¾pc 1995‡‡	107⅛	+⅛	11.85	11.05
119⅞	112⅛	Treas. 14pc '96	112⅞xd	+⅛	12.41	11.20
97⅞	91⅞	Treas 9pc 1992-96‡‡	91⅞	+⅛	9.82	10.76
126⅞	119⅞	Treas 15¼pc 1996‡‡	119⅞	+¼	12.73	11.05
117⅞	110	Exch 13¼pc 1996‡‡	110⅞	+⅛	11.98	11.01
101⅞	94⅞	Conversion 10pc 1996	95⅛	+⅛	10.49	10.92
118½	110¾	Treas 13¼pc 1997‡‡	111⅛xd	+½	11.89	10.98
104⅞	97⅛	Exch 10½pc 1997	97⅝	+½	10.74	10.93
95⅞	88¾	Treas 8¾pc 1997‡‡	89⅛	+⅛	9.79	10.71
128⅞	120⅞	Exch 15pc 1997	120⅞	+⅛	12.42	11.10
100⅞	93⅞	Exch. 9¾pc 1998	94⅛xd	+⅞	10.34	10.78
84⅞	78⅝	Treas 6¾pc 1995-98‡‡	79⅛	+⅛	8.50	10.34
134⅞	125⅞	Treas. 15½pc '98‡‡	126	+⅛	12.26	10.89
113⅞	105⅞	Exch. 12pc 1998	106⅛	+⅛	11.26	10.85
100¼	93⅞	Treas 9½pc 1999‡‡	93⅞xd	+⅛	10.10	10.49
115⅞	107½	Exch. 12¼pc 1999	108	+⅛	11.31	10.83
105⅝	97⅞	Treas. 10½pc 1999	98⅛	+⅛	10.65	10.73
104⅞	96⅞	Conversion 10¼pc 1999	97	+⅛	10.54	10.69
94⅞	86⅞	Treas. 8½pc Ln 2000‡‡	87⅞	+⅞	9.69	10.43
97⅞	90	Conversion 9pc 2000‡‡	90⅞	+⅛	9.910	10.44
122⅞	113⅞	Treas. 13pc 2000	113⅞	+⅛	11.41	10.80
103⅝	95⅞	Treas 10pc 2001	96¼	+⅛	10.38	10.52
124⅞	115½	Treas. 14pc '98-01	116¼	+⅛	12.03	11.06
102⅞	94⅞	Conversion 9¾pc 2001	94⅞	+⅛	10.26	10.47
113⅞	105⅞	Exch. 12pc '99-02	106¼xd	+⅛	11.27	10.89
104⅞	96⅞	Conversion 10pc 2002	97⅛	+⅛	10.28	10.38
102⅞	94⅞	Treas 9¾pc 2002	95⅞	+⅛	10.19	10.35
97⅞	89⅞	Exch. 9pc 2002	90⅛	+⅛	9.92	10.27
126⅞	117⅞	Treas. 13¾pc 2000-03	118⅛	+⅛	11.62	10.86
105⅝	97⅛	Treas 10pc 2003	97¾	+⅛	10.19	10.24
113⅞	104⅞	Treas. 11½pc 2001-04	105¼	+⅞	10.90	10.66
106⅞	97⅝	Treas. 10pc 2004	98¼	+⅛	10.14	10.17

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
59⅞	55⅛	Funding 3½pc '99-04	55½	+⅛	6.33	8.96
102⅞	94¼	Conversion 9½pc 2004	95¼	+⅛	9.96	10.09
103⅞	94½	Conversion 9½pc 2005	95¼	+⅛	9.94	10.05
111⅞	102⅞	Exch.10½pc 2005	103⅛	+⅛	10.15	10.05
125⅞	115⅞	Treas. 12½pc 2003-05	116⅝	+⅛	10.73	10.27
90⅞	82⅞	Treas. 8pc 2002-06‡‡	83⅞	+⅛	9.53	9.95
105⅞	97⅛	Conversion 9¾pc 2006	97⅞	+⅛	9.92	9.95
118⅞	109⅛	Treas. 11¾pc 2003-07	110⅛xd	+⅞	10.62	10.28
96⅞	87⅞	Treas 8½pc 2007‡‡	88⅞xd	+⅛	9.53	9.78
134⅞	123⅝	Treas. 13½pc '04-08	124⅝	+⅛	10.82	10.20
101⅛	92⅞	Treas. 9pc 2008‡‡	93⅛	+⅛	9.63	9.74
92⅞	84⅛	Treas 8pc 2009	84⅞	+⅛	9.38	9.66
102⅛	93⅛	Conv 9pc Ln 2011‡‡	94⅞	+⅛	9.50	9.58
68⅞	62⅞	Treas. 5½pc 2008-12‡‡	62⅞	+⅛	8.67	9.38
89⅞	82⅛	Treas. 7¾pc 2012-15‡‡	82⅞	+⅛	9.32	9.51
132⅞	121¼	Exch. 12pc '13-'17	122	+⅛	9.79	9.58

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45⅝	41½	Consols 4pc	41⅞	+⅛	9.55	–
40⅞	36⅝	War Loan 3½pc‡‡	37	+⅛	9.46	–
70⅞	60⅞	Conv. 3½pc '61 Aft	64⅞	+⅛	5.41	–
41⅞	31⅞	Treas. 3pc '66 Aft	33⅞	+⅛	8.87	–
30¼	26	Consols 2½pc	26⅛xd	+⅛	9.48	–
29½	25¼	Treas. 2½pc	26⅛	+⅛	9.57	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
129⅞	124	Treas 2pc IL '90(84.6)	129⅞	+⅛	0.13	4.20
108¼	103⅞	Do. 2pc '92‡‡(97.8)	108¼	+⅛	3.00	3.91
99⅞	94⅞	Do. 2 '94 (102.9)	99⅞	+⅛	3.32	3.83
146½	139¾	Do. 2pc '96(67.9)	146	+⅛	3.39	3.75
124⅞	118⅞	Do 2½pc '01(78.3)	122⅞	+⅛	3.66	3.90
122⅞	115⅝	Do. 2½pc '03(78.8)	119⅞	+⅛	3.72	3.93
125⅞	117⅞	Do. 2pc '06(69.5)	122⅞xd	+⅛	3.71	3.88
117⅞	110⅛	Do. 2½pc '09(78.8)	114⅞	+⅛	3.70	3.86
123⅛	114⅞	Do. 2½pc '11(74.6)	119½	+⅛	3.69	3.84
102½	95¼	Do. 2½pc '13(89.2)	99⅛	+⅛	3.68	3.82
110⅞	101¼	Do. 2½pc '16(81.6)	107⅞	+⅛	3.64	3.77
108⅝	100⅞	Do. 2½pc '20(83.0)	104⅞	+⅛	3.58	3.70
91⅞	84⅞	Do. 2½pc '24‡‡(97.7)	88¼xd	+⅛	3.55	3.66

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1988: 108.4 and for April 1989: 114.3.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108⅞	99½	African Dv Bk 11¼Ln 2010	100⅞	+⅞	11.11	11.11
104⅞	96¼	Asian Dev Bk 10¼pcLn2009	96⅞xd	+⅛	10.61	10.66
130⅞	119⅞	Australia 13½pc 2010	120⅞xd	+⅛	11.24	11.02
113⅞	102⅞	Do. 11½pcLn2015	103⅞xd	+⅞	11.00	10.97
108⅞	99⅞	Euro Inv Bk 11pc Ln 2002	100⅞	+⅛	10.97	10.94
104⅞	95⅞	Do. 10¼pc2004	96⅞	+⅛	10.75	10.83
119⅞	109⅞	Int-Am Dev Bk 12½pc 2003	110⅞	+⅛	11.35	11.04
99⅝	90⅞	Do. 9½pcLn 2015	91⅞	+⅞	10.71	10.78
97½	92⅞	Mlysia 10¾pcLn 2009	92½xd	−⅛	11.62	11.73
120	118	Nat. Medium Stans 16½pc 2008	118	.....	13.98	13.80

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	100	Birmingham 13½pc 1989	100½	−1	13.43	11.20
111½	102½	Do. 11½pc 2012	102½	.....	11.22	11.20
91	86½	GLC 6¾pc 1990-92	86½xd	.....	7.80	12.10
124½	14½	Leeds 13½pc 2006	116½	−1	11.59	11.39
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
94½	92	LCC 6¾pc '88-90	93½xd	.....	7.22	12.90
30	27	Do. 3pc '20 Aft	27	.....	11.11	–
107½	101½	Manchester 11½pc 2007	101½xd	−1	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88	+¼	8.24	11.90
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99¾	98⅞	N'wide Anglia 9⅞ 26.6.89	99¾xd	.....	9.83	13.96
99⅞	98⅝	Do. 10⅞pc 17.7.89	99⅞	.....	10.73	14.47
99⅞	98⅞	Do. 11⅛pc 7.8.89	99⅞	+⅛	11.12	14.59
99⅞	98⅞	Do. 11⅞pc 29.8.89	99⅞	+⅛	11.64	14.76
99⅞	99⅛	Do. 12⅜pc 18.9.89	99⅞	.....	12.47	14.80
99⅞	99⅛	Do. 12⅜pc 2.10.89	99⅛	.....	12.42	14.78
99⅞	98⅞	Do. 11⅞pc 6.11.89	98⅞	.....	11.94	14.38
100	98⅞	Do. 12⅜pc 4.12.89	99	.....	12.44	14.37
100⅛	99⅛	Do. 12⅞pc 2.1.90	99⅛	.....	12.91	14.31
100⅛	98⅛	Do. 12⅞pc 29.1.90	98⅞	.....	12.71	14.36
100	98¾	Do. 12⅞pc 26.2.90	98⅞	.....	12.84	14.35
102¼	98½	Do. 3⅞pcIL Ln 2021	99	+½	4.38	4.45

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	95	Agric. Mt. 5pc '59-89	99xd	.....	5.05	–
47	45	Met. Wtr. 3pc 'B'	46	.....	6.52	10.41

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	48	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139⅞	128⅞	Hydro Quebec 15pc 2011	129⅞	+⅛	15.00	11.32
128⅞	118⅞	Iceland 14½pc Ln 2016	119⅞xd	+⅞	14.50	12.04
97¾	91½	Ireland 9¾pc '91-96	91¾xd	+⅛	9.75	11.50

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39⅝	26⅛	Abbott Laboratories‡	37⅞xd	−⅛	$1.20	–	2.0
579p	361p	♦Allegheny & W 1c	565p	−10	30c	–	3.4
17¼	12⅞	Amax $1	16⅞xd	−¼	80c	–	3.0
11⅝	6	Ambase Corp $1	8¼xd		20c	–	1.4
15	956p	Amdahl 5c	14⅛xd	−⅛	h10c	–	0.4
35⅞	25½	Amer. Cyanamid $5	35⅛	+⅛	$1.35	–	2.4
22⅞	14⅞	Amer. Express 60c	22⅛xd	+⅛	84c	–	2.3
14⅞	854p	Amer. Medical Int. $1	14⅞	+⅛	♦72c	–	3.1
23⅞	15⅛	American T. & T. $1	23⅞	+⅛	$1.20	–	3.2
39⅝	26⅞	Ameritech $1	39½	+⅛	k$2.92	–	4.7
19⅞	9⅝	BankAmerica $1⅞	19⅛xd	+⅛	60c	–	2.0
32½	19⅞	Bankers N.Y. $1	32⅛xd	+⅛	$2.08	–	4.0
59	38⅞	Bell Atlantic $1	58	+⅛	$4.08	–	4.5
32⅞	19⅞	BellSouth Corp	32⅞	+⅛	$2.52	–	4.9
15⅞	12⅞	♦Bethlehem Steel $8	15⅛	+⅛	–	–	–
11⅛	929p	♦Bio-Rad Labs. A	11⅝	+⅛	–	–	–
20⅛	15⅛	Bowater Inc	20xd	+⅛	$1.12	–	3.5
12⅞	9⅛	Brunswick 75c	12½	+⅛	44c	–	2.2
42⅞	28⅞	CPC Intnl. 25c	42⅞	+⅞	$1.60	–	2.4
22⅞	17⅞	CSX $1	22½		$1.24	–	3.5
798p	333p	California Engy	738p		–	–	–
29⅞	17¼	Campbell Soup 15c	29⅞	+⅛	92c	–	2.0
25⅞	15⅞	Chase Manhattan $12½	25⅞xd	+⅞	$2.36	–	5.8
23⅝	17	Chem. Banking Corpn	23⅛xd	+⅛	$2.72	–	7.4
16⅞	13⅞	Chrysler $6¼	16⅞xd	+⅛	$1.20	–	4.5
22⅛	14⅞	Citicorp $1	21⅞xd	+⅛	$1.62	–	4.7
230p	152p	CityFed Fin. Corp	174½p	−6	4c	–	1.5
33⅞	25¼	Colgate-Palmolive $1	33⅛	−⅛	s$1.48	–	2.8
21½	16⅞	Cons Freightways 62½c	20	+¼	98c	–	3.1
17	10⅞	Cont'l Bank Corp $4	17	+½	86c	–	3.0
387½p	300p	♦Corporate Data Scnce	334p				

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
542p	278p	Cullinet Sftwr 1c	532p	+23	–	–	–
27½	21¾	Dana Corp. $1	27½	+⅝	$1.60	–	3.7
12	854p	Data General	12	...	–	–	–
37½	28⅝	Dun & Bradstreet $1	37½	–⅛	$2.00	–	3.4
41¼	30½	Eaton Corpn. 50c	41¼xd	+¼	h$2.00	–	3.0
11¼	8⅞	Echlin Inc	11¼xd	+¼	70c	–	3.9
20⅝	16⅞	FPL Group 1c	20⅝xd	+⅛	$2.28	–	7.0
32⅞	27⅝	Ford Motor $1	32⅞	+⅜	$3.00	–	5.8
45⅝	30⅛	GATX 62½c	45⅝xd	+⅛	$2.00	–	2.8
35¼	24¼	Gen. Elect. 63c	35¼xd	+⅛	$1.64	–	2.9
567p	484p	♦General Host Corp $1	559p	....	30c	–	3.4
39½	18¼	Gillette $1	27	+⅛	96c	–	2.2
987p	616p	Gt Am First Svgs Bk $1	923p	+2	60c	–	4.1
23⅝	16⅛	Greyhound $1½	23⅝	+⅛	$1.32	–	3.5
13¾	847p	Hasbro Inc 50c	13¼	–⅛	16c	–	0.7
49⅞	32¼	Honeywell $1½	49½xd	–⅛	$2.10	–	2.7
20¾	15¼	Houston Inds ‖	20¼		$2.96	–	9.0
74¾	63⅛	IBM Corpn $1¼	73⅞xd	+⅛	$4.84	–	4.2
52p	45p	♦Image Storage/R Sys.1c	47p	+2	–	–	–
28¼	18¼	Ingersoll-Rand $2	28⅞xd	–⅛	$1.20	–	2.7
33	22½	Lockheed Crpn $1	33xd	+⅛	$1.60	–	3.1
22⅝	15⅛	Lone Star Inds $1	21⅝xd	+⅛	$1.90	–	5.6
25	17½	Louisiana Land 15c	25xd	+⅝	$1.00	–	2.5
16⅞	11½	Lowe's 50c	16⅞	+⅛	48c	–	1.8
24⅞	15⅛	Manuf. Hanover $1	24⅞	+⅛	$3.28	–	8.3
20½	13⅛	Merrill Lynch $1	20⅝	+⅛	$1.00	–	3.1
2253p	1910p	Molex Inc	2101p	+15	3.2c	–	–
27⅞	18¼	Morgan (JP) $2½	27⅞xd	+⅛	$1.66	–	3.9
54½	36¼	NYNEX $1	53⅝	......	$4.36	–	5.1
24⅞	18¼	PHH Corp ‖	24½	–⅛	$1.12	–	2.9
254p	220p	♦Pacific Agr ‖	259p	..	–	–	–
27¼	19	Pacificorp $3¼	27¼	+½	$2.76	–	6.1
27	16⅞	Pacific Telesis 10c	26⅞	+⅛	$1.88	–	4.4
22⅛	15¼	Pall Corp. 25c	21½	...	48c	–	1.4
55¼	39⅛	Pennzoil 83 1/3c	55⅛xd	+⅛	$3.00	–	3.4
25½	17⅛	Premark Intl	25½	+⅛	84c	–	2.1
40⅝	28¼	Quaker Oats $5	40⅝xd	+⅛	$1.20	–	1.9
32⅛	23½	Rep NY Corpn $5	32⅛xd	+1⅛	$1.28	–	2.5
14⅞	11⅛	Rockwell Intl. $1	14⅞xd	+⅛	72c	–	3.1
35	21⅝	Southwestern Bell $1	34⅝	+⅛	$2.60	–	4.8
27⅞	17⅛	Sun Co. Inc. $1	27¼xd	+⅛	$1.80	–	4.1
30¼	22⅞	TRW Inc 62½c	30¼xd	+⅛	$1.72	–	3.6
22¼	14⅝	TW Services $5	22¼	+⅛	10c	–	0.3
36¾	26¼	Tenneco $5	36¼xd	+⅛	$3.04	–	5.2
35⅛	28	Texaco $6.25	32⅞xd	+⅛	♦$3.00	–	5.8
28⅞	21⅝	Texas Instr $1	27⅞xd	+⅛	72c	–	1.6
117⅞	58⅝	Time Inc $1	116⅝	–1⅛	$1.00	–	0.5
18⅞	15⅛	TRINOVA Corp	18⅝xd	+⅛	64c	–	2.2
24¼	16	USX $1	24½xd	+⅛	$1.40	–	3.6
164p	126p	♦Unilab	162p	...	–	–	–
33⅞	22⅞	Utd Technologies	33⅞xd	+⅛	$1.60	–	3.0
156p	128p	♦Utilitech Inc	141p	..	–	–	–
46½	31½	US West‖	46½	+⅛	$3.76	–	5.1
35⅛	22⅝	Waste Management $1	35½xd	+⅛	48c	–	0.9
20¼	13½	Whirlpool $1	19⅝	+⅛	$1.10	–	3.6
24⅛	16⅛	Whitman Corp	24⅛xd	+⅛	$1.02	–	2.7
36⅛	28¼	♦Woolworth $3½	36⅛	......	$1.88	–	3.3

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
160p	129p	♦ABM Gold Corp ‖	157p	......	–	–	–
25¼p	4½p	♦Abbot Energy Corp	25¼p	......	–	–	–
15⅛	902p	♦Amer. Barrick Res.	15⅛	+⅛	–	–	–
19¾p	10½p	♦Armeno	13½p	....	–	–	–
330p	94p	♦Asiamerica Hldgs‖	315p	....	–	–	–
33¼p	8½p	♦Augmitto Expln.	10p	–1	–	–	–
17¾	12⅞	Bk. Montreal ‖	17⅞	......	$2.12	–	6.5
10¼	655p	Bk. Nova Scot.‖	10¼	–⅛	92c	–	4.9
22	17	BCE ‖	22	+⅛	$2.44	–	6.0
848p	570p	♦Bow Valley‖	776p	–4	♦40c	–	2.8
16⅞	12⅛	♦Brascan‖	16⅞	+⅛	88c	–	2.8
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

For Wood (Graham) see Graham Wood

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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TEXTILES

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TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
45	35	Ayer Hitam SM1	45	.....	053.3c	0.7	†
75	38	Gopeng Berhad M$0.50	75	.....	Q10c	2.0	3.3
615	83	Jantar 12½p	1388	.....	–	–	–
84	47	Malaysia Mng. 10c	77	.....	Q5c	4.0	1.6
180	120	Petaling SM1	180	.....	Q87c	1.0	11.6
150	90	Sungei Besi SM1	125	.....	Q70c	1.4	13.5

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p ✓	98	.....
Craig & Rose £1 ✓	720	.....
Finlay Pkg. 5p ✓	88	.....
Holt (Jos) 25p ✓	1333	.....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£98½	+¼
Fin. 13% 97/02	£118	.....
Arnotts	425	.....
Carrol (P.J.) ✓	153	+1
Hall (R. & H.)	165	+2
Heiton Hldgs. ✓	73	–1
Irish Ropes	283	.....
United Drug	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	50
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI Babcock	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	40
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	38
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	80
Reed Intl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	24

Mines

Stock	p
Cons Gold	100
Lonrho	30
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips on profit taking

THE DOLLAR succumbed to a bout of profit taking yesterday, finishing below Wednesday's closing levels. The US unit moved firmer after the release of US trade figures, but failed to break through resistance at DM2.05. This apparent loss of momentum prompted many investors to realise profits made on the dollar's recent rise. There was also intervention by the the US Federal Reserve which sold dollars against the D-Mark and yen.

Earlier trading in Tokyo saw the Bank of Japan selling an estimated minimum of $1bn in an effort to stem the dollar's rise. The Bank of England was also active selling dollars. The US unit opened on a firm note in anticipation of favourable trade figures. In the event, an April deficit of $8.26bn was little different from market expectations, but looked better after the March shortfall was revised to $9.54bn from $8.6bn. US exports were at a record high for the second month in succession, despite the dollar's firmer tone.

In addition, US capacity utilisation in May fell to 83.8 per cent from 84.1 per cent, indicating a slight slowdown in economic growth. Despite the dollar's softer tone during the afternoon, most investors retain faith in the US unit and many expect an early assault on the DM2.05 level.

It closed yesterday at DM2.0240 from DM2.0300, after touching a high of DM2.0480. The dollar retained a firmer tone against a weak Japanese yen, finishing at Y149.60 from Y149.05. Elsewhere, it slipped to SFr1.7475 from SFr1.7520 and FFr6.8675 compared with FFr6.8825. On Bank of England figures, the dollar's exchange rate index was 74.1 against 73.8 on Wednesday.

Sterling continued to lose ground but finished above the day's lows. Its exchange rate index closed at 90.5, up from a low of 90.3 but down from 90.6 at the opening and 90.7 on Wednesday. The pound has now fallen over 2¾ per cent since base rates were increased to 14 per cent last month.

UK average earnings in April rose by 9.25 per cent on an annualised basis, unchanged from March and not quite as high as many analysts had feared. Attention will now centre on UK retail prices for May, due for release today. A rise of 8.3 per cent or slightly less may reduce the pressure on sterling sufficiently for the authorities to avoid another rise in base rates.

The pound closed at $1.5185 up from $1.5150 but slipped in D-Mark terms to DM3.0725 from DM3.0750. It was higher against the yen at Y227.25 from Y225.75, but elsewhere it finished at SFr2.6525 from SFr2.6550 and FFr10.4275, unchanged from Wednesday.

The D-Mark continued to improve against the yen, rising to Y73.91 from Y73.43 on Wednesday. The yen's weakness is explained partly by a large redemption of Japanese Government bonds, and overseas recipients having been changing their yen receipts into dollars. The D-Mark was also firmer against the French franc, closing at FFr3.3930 from FFr3.3920. The Bundesbank's decision to leave interest rates unchanged had no effect on the D-Mark.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June.15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3757	+2.16	+0.97	±1.5344
Danish Krone	7.85212	8.05927	+2.64	+1.45	±1.5404
German D-Mark	2.05853	2.07224	+0.67	-0.52	±1.0981
French Franc	6.90403	7.02874	+1.81	+0.62	±1.3674
Dutch Guilder	2.31943	2.33272	+0.57	-0.62	±1.5012
Irish Punt	0.768411	0.775980	+0.99	-0.20	±1.6684
Italian Lira	1483.58	1499.04	+1.04	+0.44	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

MONEY MARKETS

A rally in short sterling

TRADERS IN short sterling on Liffe decided it was time to take profits yesterday, as rumours of a sharp rise in April UK average earnings proved unfounded. In a rather more relaxed mood the short sterling contract for September delivery rose to finish at 85.42 compared with 85.33 on Wednesday.

It opened at 85.28 and fell to a low of 85.27 ahead of the average earnings data, but then rallied, on relief at the economic news and the view that recent predictions of 16 per cent base rates may prove too pessimistic. The market is now waiting for today's figures on May retail prices, amid suggestions that if the year-on-year inflation rate does not rise above 8.5 per cent there could be room for further profit taking.

Support levels for the contract have been broken this week, but the market is now looking at 85.20 as a possible base level. This would discount a cash rate of around 14¾ per cent at the time of delivery in September.

Trading was active, with September short sterling registering over 35,000 lots. The West German Government bond was also active on Liffe, trading over 30,000 contracts. September bonds rose to 95.14 from 94.86, as the Bundesbank council meeting left official German interest rates unchanged.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
89	344	419	18	37
90	256	335	30	53
91	206	256	44	110
92	129	218	103	136
93	63	150	137	204
94	40	122	214	240
95	24	100	262	318

Estimated volume total, Calls 1628 Puts 3103
Previous day's open int. Calls 9652 Puts 13600

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	614	640	18	54
92	432	505	36	119
94	263	346	103	160
96	149	240	153	254
98	63	150	303	400
100	32	110	436	524
102	16	48	620	662

Estimated volume total, Calls 215 Puts 110
Previous day's open int. Calls 2418 Puts 2613

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9350	187	201	23	54
9400	146	168	32	71
9450	112	138	48	91
9500	83	112	69	115
9550	61	89	97	142
9600	43	70	129	173
9650	30	54	166	207

Estimated volume total, Calls 1272 Puts 1229
Previous day's open int. Calls 11181 Puts 8415

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

LONDON (LIFFE)

PHILADELPHIA SE £/$ OPTIONS

CHICAGO

EUROPEAN OPTIONS EXCHANGE

Series	Strike	...	Vol	Last	Vol	Last	Vol	Last	Stock
NEDLLOYD P	FL. 420		24	5	111	15.50 b	-	-	FL. 439
Nat.Ned. C	FL. 65		192	1.70	409	3 b	83	4.70 a	FL. 64.70
Nat.Ned. P	FL. 65		27	1.20	368	2.80	85	3.60	FL. 64.70
Philips C	FL. 40		326	0.80	232	2.50	133	3.50	FL. 38.50
Philips P	FL. 40		52	1.80	172	2.70	54	3.40	FL. 38.50
Royal Dutch C	FL. 140		346	2.70	198	5.20	59	7.80	FL. 138.80
Unilever C	FL. 140		1879	4.10	375	7.60	167	9.50 a	FL. 142.40
Unilever P	FL. 140		81	1.20	74	3	25	4.70	FL. 142.40
Van Ommeren C	FL. 50		217	1.30	880	3.20	220	4.70 a	FL. 47.10
Van Ommeren P	FL. 50		35	4	5	5	155	6	FL. 47.10

TOTAL VOLUME IN CONTRACTS : 71,964
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates steady

THERE WAS little change in interest rates on the wholesale market in London yesterday. The underlying rise in April UK average earnings was lower than feared, but the market remained nervous ahead of today's UK retail prices index for May, amid forecasts that the year-on-year inflation rate could reach 8.5 per cent. Reaction to the US trade figures was muted, with sentiment in London helped by profit taking in the dollar. In nervous trading three-month sterling interbank closed virtually unchanged at 14 3/16-14 1/16 per cent.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England initially forecast a money market credit shortage of £300m, but revised this to £450m at noon. Before lunch the authorities gave assistance by purchasing £420m bills outright, via £19m local authority bills in band 2 at 13¾ per cent and £371m bank bills in band 2 at 13¾ per cent. The central bank did not operate in the market during the afternoon.

Bills maturing outside official hands and a take-up of Treasury bills resulted in a net surplus of £153m. This was offset by Exchequer transactions draining £655m, a rise in the note circulation of £65m and bank balances below target of £50m.

In Frankfurt call money was steady at 6.45 per cent. A regular council meeting of the West German Bundesbank left the discount rate at 4.50 per cent and the Lombard emergency funding rate at 6.50 per cent, but speculation continued that the central bank may soon introduce a floating Lombard rate, in line with recent moves by the Swiss National Bank.

In New York the Federal Reserve drained money from the banking system, via four-day matched sale and repurchase agreements, when Federal funds were trading at 9¾ per cent.

In Amsterdam interest rates had a firm tone, as an allocation of funds by the Dutch Central Bank was seen as short of the money market's requirements. The authorities allocated Fl 7.52bn at a rate of 6.8 per cent, against an expiring facility of Fl 7.17bn at 6.9 per cent. Call money rose to 6.87 per cent from 6.81 per cent and the three-month rate increased to 7.27 per cent from 7.20 per cent.

In Paris the rise in call money to 9⅛ per cent from 9¼ per cent was partly technical, as banks bid for funds at the end of an official Bank of France reporting period, but dealers also believed the French authorities were happy to see tighter credit conditions to defend the franc.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

Bank	%	Bank	%	Bank	%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd.	‡13.75		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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COMPANY NOTICES

JOTTER PAD

CROSSWORD

No.6,961 Set by DINMUTZ

ACROSS

1 Released on bail in old England (6)
4 A means of dating vehicle, fine in France (6)
8 Leather straps attached to a jumper, for example (7)
9 People are up for this cup (7)
11 Toast, in a way, is a feature of those who overeat (6,4)
12 Shadow of train (4)
13 Rebel fighter? (5)
14 Wrap up when tea's served (8)
16 Barrenness of some capital areas (8)
18 Gold sovereign? (5)
20 Radar signal from a satellite (4)
21 Cheese and crushed pear in fresh container (10)
23 Space at end of flight or passage (7)
24 Oriole, a lower sort of flier (3-4)
25 A great hunger settled (6)
26 Venerate a US night-rider (6)

DOWN

1 Texan mission, mostly fashionable (5)
2 Bed and breakfast with neat compartment for small articles (7)
3 In respect of deliveries, there is strict OBE allocation (9)
5 Flower sweet in the air? (5)
6 Capital investment for a father (7)
7 Maintains US inshore installation (9)
10 At last, one is at work! (9)
13 Battle-helmet (9)
15 Army signals? (9)
17 Slow worker, like Gray's ploughman (7)
19 Merest trickle of dead river (7)
21 No craft for stormy ocean (5)
22 Sweeping Elgar variation (5)

Solution to Puzzle No.6,960

WORLD STOCK MARKETS

AUSTRIA

June 15	Sch	+ or −
Austrian Airlines	2,350	−50
Creditanstalt	2,700	+10
Goesser	4,100	—
Interunfall	18,350	+850
Jungbunzlauer	16,350	−250
Laenderbank	465	—
Perlmooser	1,320	+50
Reininghaus	2,500	−5
Semperit	270	+20
Steyr-Daimler	112	+2
Veitscher Mag	805	−10
Verbund	191	—

BELGIUM/LUXEMBOURG

June 15	Frs.	+ or −
B.B.L.	3,560	−10
Bank Intl. a Lux	15,200	+100
Banque Gen. Du Lux.	14,500	—
Banque Nat Belg	37,075	−400
Bekaert B	14,775	+25
Ciment CBR	6,990	−50
Cobepa	5,730 xr	+20
Do. AFV 1	5,800	−10
Do. AFV 2	5,810	+10
Cockerill	368	—
Colruyt	16,500	+375
Delhaize	5,520	+30
EBES	4,670	−5
Do. AFV 1	4,600	+10
Do. AFV 2	4,580	+10
Fabrique Nat.	820	—
GIB Group	1,408	+6
Do. AFV	1,420	+20
GBL (Brux)L	4,600	—
Do. AFV 1	4,550	+50
Do. AFV 2	4,550	+50
Gechem	1,050	−18
Do. AFV	1,036	+6
Generale Bank	6,050	—
Do AFV 1	6,120	+10
Do. AFV 2	6,490	+200
Gevaert	8,480	−40

FRANCE (continued)

June 15	Frs.	+ or −
Arjomari-Prioux	2,600	−29
Auxiliare d'Ent.	1,053	−17
BIC	758	−5
BSN	655	−1
Bancaire Cie	523	+1
BNP (Cert.Inv.)	362	+0
Beghin-Say	688	−6
Do. Certs	436	+1
Bongrain	3,042	−13
Bouygues	646	−1
CMB Packaging	670	—
Carrefour	3,195	—
Casino	217	+4
Cetelem	645	−9
Chargeurs	1,294	−31
Ciments Fr.	1,517	−33
Club Mediterranee	664	+16
Cofimeg	345	−4
Coplifi	370	—
DCE	452.5	−6.5
Coparex	394	−2
Cred Foncier Fr	817	+8
Credit National	1,095	+1
Darmart	3,030	−70
Docks de France	3,800	−10
Dollfus-Mieg	352	−7
Dumez S.A.	990	−15
Eaux (Cie Gen)	1,991	−26
Ecco	2,151	−19
Electrofin'are	1,001	−2
Elf-Aquitaine	534	−8
Do. Certs	410	−7
Epeda-Bertrand	1,390	+88
Essilor	3,445	+14
Eternit (Fin.)	2,800	—
Eurafrance	1,665	−20
Eurocom	1,550	+5
Euromarche	2,932	−68
Exor	1,320	−51
Finextel	202	−20
Fonciere Lyons	495	−1
Fromageries	1,885	+43
GTM-Entrepose	1,432	−43
Gaumont (Soc N)	590	−25

CANADA

TORONTO

2pm prices June 15

INDICES

NEW YORK — DOW JONES

	June 14	June 13	June 12	June 9	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2503.36	2503.54	2518.66	2513.42	2518.66 (12/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.52	92.38	92.32	92.23	92.52 (14/6)	87.35 (23/3)	—	—
Transport	1150.06	1150.23	1154.59	1148.12	1166.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	206.08	205.55	206.50	206.44	206.50 (12/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2520.71 (2520.71) Low 2486.01 (2494.70)

STANDARD AND POOR'S	June 14	June 13	June 12	June 9	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	323.83	323.91	326.25	326.70	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	370.40	370.72	373.21	373.53	373.82 (7/6)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.02	30.97	31.21	31.35	31.35 (9/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	180.83	180.94	182.14	182.37	182.37 (9/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	363.83	364.27	365.89	366.10	366.16 (9/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	450.64	450.73	453.39	453.65	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 9	Jun 2	May 26	year ago (approx.)
Dow Industrial Div. Yield	3.52	3.51	3.38	3.54
	June 7	May 31	May 24	year ago (approx.)
S & P Industrial div. yield	2.98	3.02	3.03	2.94
S & P Indl. P/E ratio	13.75	13.53	13.46	15.35

TRADING ACTIVITY † Volume Millions

	June 14	June 13	June 12
New York	171.840	165.956	151.460
Amex	15.731	13.332	12.628
OTC	131.625	146,945	125.562

NEW YORK	June 14	June 13	June 12
Issues Traded	1,970	1,977	1,981
Rises	747	490	716
Falls	715	1,023	758
Unchanged	508	464	507
New Highs	111	96	122
New Lows	17	11	13

CANADA

TORONTO	June 14	June 13	June 12	June 9	1989 High	1989 Low
Metals & Minerals	3378.7	3415.9	3452.6	3463.1	3564.9 (6/2)	3207.5 (3/1)
Composite	3769.7	3787.0	3805.1	3802.5	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1917.30	1934.03	1946.82	1948.46	1948.46 (9/6)	1677.48 (3/1)

	June 15	June 14	June 13	June 12	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1533.2	1533.8	1541.3	(c)	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	693.3	694.7	699.7	(c)	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	359.28	354.85†	350.43	349.02	359.28 (15/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6131.15	6145.18	6158.43	6128.37	6158.43 (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	333.45	329.34	325.61	322.01	333.45 (15/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	798.5	801.8	801.8	802.3	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	482.7	483.3	484.6	486.3	487.9 (9/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	113.4	113.8	113.9	114.5	114.5 (5/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	598.10	600.17	597.87	600.12	600.96 (8/6)	535.78 (27/2)
Commerzbank (1/12/53)	1776.1	1783.2	1775.2	1782.0	1785.4 (8/6)	1595.7 (27/2)
DAX (30/12/87)	1426.66	1433.43	1429.11	1436.67	1438.73 (8/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2340.02	2380.48	2365.19	2440.21	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	646.63	643.48	638.62	631.60	646.63 (15/6)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	32913.09	33402.99	33213.55	33398.0	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2440.16	2472.82	2464.14	2483.76	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen. (End 1983)	249.7	249.1	247.8	248.2	249.7 (15/6)	208.3 (3/1)
CBS All Shr (End 1983)	194.4	194.0	193.0	193.3	194.4 (15/6)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	624.98	626.04	627.34	625.49	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1288.29	1298.47	1283.84	1276.48	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1431.0	1416.0	1428.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	(u)	2541.0	2516.0	2492.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	311.64	313.76	315.90	316.14	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4129.0	4118.8	4073.3	4060.7	4129.0 (15/6)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	728.3	723.7	716.3	718.6	728.3 (15/6)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	489.2	487.6	491.2	519.0 (17/2)	487.6 (13/6)

♦ Subject to official recalculation. † Corrected figure.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Nova Corp	4,614,70	8½	− ½	BankAmerica	1,589,200	29	+ ½
Paramount	3,979,900	59½	+ 1¼	Wendy's Intl	1,586,500	6¼	+ ½
Warner Comms	2,461,400	55	+ ¾	Gen Electric	1,529,300	53¼	+ ¼
Syntex	1,749,700	52¼	+ 1½	Motorola	1,478,100	55¾	+ 1¼
Dow Chemicals	1,743,700	88¼	− 3¼	Eastman Kodak	1,380,900	49⅛	− ⅞

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday June 15 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Ebara	30.1m	2,480	+30	N Shokubai Kk	15.9	2,300	−50
Amada	18.1m	2,150	+70	Canon	13.4	1,900	+10
Kawasaki Stl	18.0	910	−41	Asahi Glass	13.2	2,430	+20
Nippon Seiko	17.3m	1,140	+10	Daikin	10.5	1,980	−80
Nippon Steel	17.2m	800	−34	Bridgestone	9.9m	1,640	−70

3pm prices June 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32½	21¼	AAR	.44	1.4	20	133	31½	30⅝	30¾	– ⅝
10½	8⅞	ACM n	1.01	11.		83	9¼	9⅛	9⅛	– ⅛
11⅞	10⅛	ACMIn	1.28a	12.		372	11	10⅞	10⅞	
10⅛	8½	ACM M	n1.01	11.		274	9½	9⅜	9½	+ ⅛
11½	10	ACM Sc	1.26	12.		525	11⅛	10⅞	10⅞	– ⅛
10	8⅛	ACMSp	1.01	11.		437	9¼	9⅛	9⅛	– ⅛
17¼	10⅞	AL Lab	.12	.7	18	57	16⅞	16½	16⅝	– ¼
4⅛	3⅛	AMCA	.12e	3.0	27	80	4	3⅞	4	+ ⅛
6⅛	3½	AM Intl				368	5⅜	5¼	5¼	– ⅛
65⅜	40⅞	AMR			7	3676	62¼	61⅛	61⅜	– ¾
27	25	ANR pf	2.67	10.		45	25⅝	25⅜	25⅜	– ⅛
9½	3⅜	ARX				635	4⅛	3⅞	4⅛	+ ⅛
45⅞	35¼	ASA	3a	7.3		318	41½	40½	41¼	+ ½
22⅛	15¼	AVX	.24	1.2	10	351	21⅛	20⅛	20¼	–1⅛
61¼	43½	AbtLab	1.40	2.5	16	5686	56⅞	55¼	55⅞	–1⅛
19	15⅛	AbitiBi g	1			38	18⅛	18¼	18⅛	
13	7½	AcmeC	.40	3.2		225	12¾	12½	12⅝	
8	5⅞	AcmeE	.32	4.1	18	13	7⅞	7¾	7¾	– ⅛
34⅛	20¼	Acuson			28	74	33⅛	33¼	33¾	– ⅛
16⅞	14¼	AdaEx	1.82e	12.		130	15½	15⅛	15⅛	
16⅞	7⅛	AMD				6276	10⅛	9¾	9⅞	– ⅛
43½	28¼	AMD pf	3	8.8		11	34½	34	34	– ⅝
10⅛	6½	Adobe				128	9⅝	9⅜	9⅜	
21¼	19⅞	Adob pf	2.40	11.		20	20⅞	20⅞	20⅞	
9¼	6⅜	Advest	.12	1.7	17	49	7¼	7⅛	7¼	+ ⅛
56¼	43½	AetnLf	2.76	5.1	9	1938	54⅞	54½	54⅝	– ⅝
13½	12¼	AHPb n				2080	12⅞	12⅝	12⅝	– ¼
23	14⅜	Ahmans	.88	4.0	10	5877	22¼	22⅛	22¼	
4⅝	2⅞	Aileen				306	2⅞	d 2½	2½	– ½
53½	37¼	AirPrd	1.20	2.8	11	849	43⅝	43⅛	43⅛	– ⅛
28⅞	15½	AirbFrt	.60	2.3	24	136	26⅞	26⅛	26½	– ⅛
24½	13⅝	Airgas			14	150	23½	22¾	23	+ ⅛
20½	17⅞	Airlease	2.40	12.	9	15	20	19¾	19¾	– ¼

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	21¼	Rubbmd	.44	1.5	22	428	30¾	30	30¼	− ½
20¾	16¼	RussBr	.40	2.2	16	32	18⅝	18½	18½	− ⅛
16	12⅜	RussTg	.60	4.8	62	83	12½	12⅜	12⅜	− ⅛
22⅞	14⅞	RuseIIE	.28	1.3	16	121	22	21⅞	21⅞	− ⅛
29¾	22⅞	Ryder	.60	2.3	12	3123	27	26	26⅜	− ⅜
28¾	22	Rykoff s	.60	2.1	17	63	28⅛	27⅞	28	+ ⅛
23½	14⅜	Ryland	.60	2.8	7	40	21½	21⅛	21⅛	− ⅜
13½	8⅜	Rymer				43	12⅜	12⅛	12⅛	− ⅛
10⅛	7⅞	Rymer pfl.17		12.		32	10⅛	9⅞	9⅞	− ⅛
		− S − S − S −								
36⅛	30¼	SCEcp	2.48	6.9	12	921	36⅛	35⅞	36	
9½	6½	SCOR U.20e		2.3	6	60	8⅝	8⅝	8⅝	
9⅜	7½	SL Ind	.36	2.0		22	8⅝	8⅛	8⅛	− ⅛
60⅜	37	SPSTec	1.20	2.1	24	8	58	57½	57½	− ⅜
34	22⅞	SPX Cp	1	3.5	8	301	28⅝	28⅛	28⅛	
22⅞	13¼	Sabine	1.02e	7.5	5	2824	14	13⅞	13⅞	− ⅜
13⅞	11⅞	SabnR	1.32e	10.	10	127	13	12⅞	12⅞	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
3⅞	2	Zapata				591	2⅛	2⅛	2⅛	
21⅛	13⅜	Zayre	.40a	2.2	118	z7783	18	17⅞	17⅞	
15⅛	10½	Zemex	.40	3.3	153	16	12	11⅞	12	− ⅛
30	16½	ZenithE			988	1389	20	19⅝	19⅝	− ⅛
10⅜	8⅞	Zeniec	1.26	13.		126	9⅝	9½	9½	− ⅛
2⅛	1	vjZenLb				235	1⅜	1½	1⅝	
21⅝	15	ZenNtl	.84	4.5	9	122	19⅛	18⅞	18⅞	− ½
21⅝	14⅝	Zero	.44	2.1	17	179	21⅛	21	21⅛	+ ⅛
37⅞	20	Zurn	.68	1.9	16	277	36⅛	35⅞	36	− ½
11⅛	10	Zweig	1.07e	9.6		334	11⅛	11⅛	11⅛	
10⅛	8⅞	Zweig n	.96	10.		925	9⅝	9½	9⅝	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices June 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PionrSy			40	⅛	⅛	⅛	− 1-16
Pittway	1.80	14	4	103⅝	103⅛	103⅛	− ⅛
PlyGem	.12	19	32	13½	13⅛	13⅛	− ⅛
Presd A	.10		50	5	5	5	
ProsCm	.08e	1	31	8⅛	8⅛	8⅛	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
WellAm			35	1⅝	1⅝	1⅝	
WDigtl		7	822	11	10⅞	10⅞	
Worthn		10	100	8⅝	8⅛	8⅛	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices June 15

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
XL Dta s		20	395	23⅛	22⅞	23⅛	
XOMA			629	19⅛	18⅛	18⅛	− ⅛
Xicor		9	1802	7½	7	7	− ½
YelowF	.70	10	514	27⅜	26⅞	27⅛	− ⅝
ZionUt	1.44		33	25⅛	25	25	− ⅛
Zycad			861	3½	3⅜	3⅛	− ⅛

AMERICA

Weaker dollar and bonds increase pressure on Dow

Wall Street

THE SELLING in the equity market intensified yesterday as the dollar and bonds succumbed to profit-taking, *writes Janet Bush in New York.*

At 2pm, the Dow was quoted 32.84 points lower at 2,470.52 on moderately active volume of 103m shares. The Treasury's benchmark long bond was quoted ¾ point lower, taking its yield up to 8.23 per cent and at midsession the dollar was quoted sharply below earlier highs of Y151.85 and DM2.0475 at Y149.40 and DM2.031.

The US currency had soared in an immediate reaction to news that the US trade deficit had narrowed to $8.26bn in April, around where economists had expected. However, a combination of profit-taking, reported intervention by the US Federal Reserve and disappointment in the upward revision to the March deficit combined to push the dollar substantially below its highs.

The March deficit was revised up to $9.54bn from $8.86bn previously reported.

Stocks were lower from the beginning of the session but selling appeared to be exacerbated by the downturn by bonds and the dollar. Equity traders said that developments in other markets had far more impact on stocks than the economic figures themselves.

Also released yesterday were figures which confirmed a deceleration in the economy in May but which provided evidence of stronger growth earlier this year than previous releases had suggested. In May, industrial production was unchanged, again in line with expectations, and capacity usage fell by 0.3 per cent.

The stock market was also concerned with volatility connected with today's triple witching hour when stock index futures, index and stock options expire simultaneously, and with today's release of the May Consumer Prices Index which is expected to have risen by 0.5 per cent.

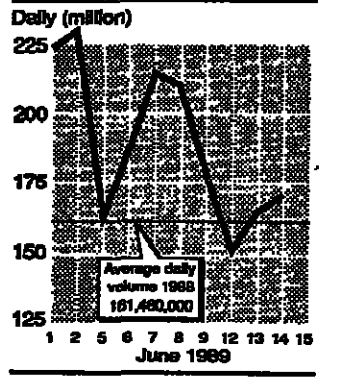
In the background to this week's equities slide has been the emergence of concern over the outlook for corporate profits as the economy slows. This has replaced optimism about economic sluggishness derived from a belief that interest rates would be allowed to fall.

Blue chip issues were weak yesterday. Philip Morris slumped $1¾ to $139¾, Boeing, whose 737-400 planes have been grounded, fell $1¾ to $50 and IBM dropped $1 to $109⅛.

The vicious triangle of Time, Warner and Paramount continued to attract interest. Time Inc fell $3½ to $172 amid speculation that the company's board may be considering a possible tender offer for Warner Communications in order to fend off a hostile bid from Paramount. Warner surged $1⅛ to $56¾ while Paramount slipped $⅛ to $59.

Hilton Hotels continued to rise on takeover speculation, gaining $2¼ to $96¾ by midsession.

NYSE volume



Monsanto jumped $2¼ to $106¾ on news that the company and its G.D. Searle subsidiary had reached a settlement with some of the individuals who had filed lawsuits against Searle over its Copper-7 inter-uterine device. Terms were not disclosed but Monsanto said there would be no materially adverse effect on its finances.

Canada

WORRIES over the strong US dollar and higher oil prices put pressure on Toronto stocks which slid downwards in morning trade. By midsession the composite index had dropped 28.5 to 3,741.2 on volume of 15.3m shares. Volume was low ahead of Friday's expiry of futures contracts and options.

Spanish sparkle puts bourses in the shade

Madrid was again the trading hot spot in Europe last month, writes **Alison Maitland**

IN CONTRAST to the heatwave enjoyed by much of continental Europe last month, the pace of equity trading on most bourses failed to warm up until the very last moment.

The strong dollar cast a shadow, feeding anxiety about inflation and monetary tightening and cooling investors' ardour, while a series of spring holidays dampened activity.

The notable exception was Spain, which for the second month running showed the biggest rise in volume among the bourses covered. Turnover climbed 19.5 per cent from its level in April to Pta 616.5bn, a jump of 47.5 per cent over May 1988, according to figures from County NatWest WoodMac.

Foreign buying was up by at least 25 per cent on its levels in the previous two months, with French and German investors reported to be showing the greatest interest, and this spurred share prices from one new 1989 high to another.

The sector that attracted most demand was construction. Takeover speculation and the Government's road and railway building programme sent cement company Asland and similar stocks sharply higher. Property and utility shares were buoyant, and the month was also marked by the trading debut of Repsol.

There was a brief bout of nervousness about Spanish inflation, but the April rise of 0.3 per cent was lower than expectations, allowing the market to regain its momentum.

Dutch turnover showed the largest fall in May, dropping 19 per cent to Fl 14.4bn. Yet that was nearly double the dismal turnover of Fl 7.3bn seen in May 1988.

Amsterdam suffered mainly in comparison to April – a month that saw a surge in speculative activity and corporate news. In May, trading was subdued by the political uncertainty that followed the collapse of the coalition Government. Dutch stocks were also hit by persistent nervousness about US inflationary pressures and the threat of a rise in West German, and thus European, interest rates.

West Germany, Switzerland and France experienced falls in turnover of 5.6 per cent, 4.8 per cent and 2.7 per cent respectively, and were preoccupied with interest rates for most of the month. There was a brief respite on May 18 when the Bundesbank decided not to increase the Lombard or discount rates, but the strength of the dollar soon returned to haunt investors.

Then, in the last few days of trading, the attitude towards the dollar changed and investors began to pile into stocks with high export earnings that were expected to benefit from the strength of the US currency.

If turnover seemed dull compared to April, the improvement over activity a year ago was striking, with West Germany up 98 per cent, France up 31 per cent and Switzerland up 21 per cent.

Italy's trading volume barely changed last month compared with April, which in turn had shown little improvement over March. The insolvency of two stockbrokers, which delayed April settlements, and the fall of the Government kept trading in the doldrums.

Belgium, on the other hand, enjoyed a 10 per cent pick-up in activity, boosted by strong company results, dividend stripping and interest in the steel and chemical sectors.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	May '89	April '89	March '89	Feb '89	Jan '89
Belgium	62.4	59.0	56.6	69.3	72.4
France	72.0	74.0	66.0	92.0	124.0
Germany	77.9	82.5	74.0	72.9	102.5
Italy	14,080.0	13,925.6	13,843.2	16,507.6	17,266.4
Netherlands	14.4	17.8	14.9	13.7	17.4
Spain	616.5	515.8	358.9	345.0	367.6
Switzerland	15.8	16.6	15.1	15.6	16.5

Volumes represent purchases and sales. Swiss and Belgian data estimated. Italian data adjusted to include off-market trading. Some figures may be revised. Source: County NatWest WoodMac

ASIA PACIFIC

Yen fall triggers biggest one-day equity drop

Tokyo

THE YEN'S steep fall against the dollar yesterday battered the Japanese equity market and share prices suffered their biggest single day loss this year as the Nikkei average dropped 489.90 to 32,913.09, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei, which had started the day on a relatively firm note, fluctuated between a high of 33,524.56 and a low of 32,913.09 before closing below the 33,000 mark for the first time since April 24. The Nikkei is now 4 per cent below its all-time high of 34,266.75, reached on May 31.

Declines greatly outnumbered advances by 692 to 234, with 149 issues unchanged. Volume remained sluggish with 665m shares changing hands compared with 514m on Wednesday. The Topix index of all listed shares also suffered a sharp loss of 32.66 points to close at a low for the year of 2,440.16 and in London the ISE/Nikkei 50 index fell 9.31 to 1,831.61.

Share prices were moderately higher in early trading as investors continued Wednesday's trend of selecting issues related to specific themes.

The mood turned sour, however, when the yen slipped below Y150 to the dollar for the first time since August 17, 1987. The Y150 level had often been cited by market analysts as a psychologically important barrier.

"If the dollar would only stop rising there are ways for the market to recover," said Mr Shin Tokoi at County NatWest. But until some kind of stability returned to currency markets it would be difficult for equities to rebound, he said, adding: "There is no sign that it (the dollar) is going to stop soon."

The dollar's strength has led to a substantial outflow of domestic institutional funds to US equities and bonds and turnover on the market has been severely hurt in the past few weeks as institutional investors have kept a low profile. Yesterday even individual investors who had been supporting the market by buying on margin were said to have lost patience. Those who had bought stocks in the large capital steel, construction and property sectors at fairly high prices when the market was on an uptrend were reported to have sold to cut their already significant losses.

While most analysts saw no signs of a possible near-term recovery, the consensus was that external pressures on the market would ease, possibly in the summer or autumn when the yen was likely to turn higher on a slowdown in the US economy and lower US interest rates.

Buying interest was mostly confined to specific issues that were bought on favoured market themes, particularly the environment. Ebara, the maker of pumps and air blowers that has risen recently on the strength of its environment-protection technology, was the most actively traded share with 30.1m shares. It rose Y70 to a new high of Y2,590 during the day but closed up Y30 at Y2,480.

Amada, a manufacturer of metalworking machines, added Y70 to Y2,150 in the second most active trading of 18.1m shares. Investors favoured the company's good business performance.

Steel issues suffered heavy losses on the yen's weakness and rising interest rates. Kawasaki Steel, third on the volumes list with 18m shares, lost Y41 to Y910. Nippon Steel fell Y34 to Y800 in heavy trading.

Large capital steels and other former market leaders were sold heavily in Osaka. The OSE average dropped 198.52 to 32,000.56. Volume was higher at 65.7m shares against 51.5m on Wednesday. Mitsui Real Estate lost Y80 to Y2,340.

Roundup

HONG KONG found little to motivate trade and fell back again while among the other Asia Pacific markets Australia was dull and Singapore succumbed to profit-taking.

HONG KONG drifted lower during a sluggish session. Trading was at its lightest since early May with turnover sliding to HK$817m, tiny compared to the daily levels which topped HK$3bn just after the turmoil began in China.

The Hang Seng index ended 40.46 down at 2,340.02.

"There is still a lot of nervousness in the market tied to all the political uncertainty," an analyst said.

In spite of the continuing unease, the market remained steady around midday after the Chinese authorities issued a warning against "interference" by Hong Kong citizens.

Swire A, the most actively traded stock, shed 40 cents to HK$14.30, followed by Hutchison and Hongkong Land which eased 10 and 15 cents, respectively, to HK$8.05 and HK$7.30.

Property stocks showed the deepest decline as overseas investors continued to take a bearish view in anticipation of a downturn in the colony's overheated real estate market.

AUSTRALIA turned its attention to an advance by Western Mining and a sharp drop in the News Corp share price during an otherwise lacklustre day.

Western Mining added 8 cents to A$5.24 on turnover of 3.5m shares with rumours circulating that an attempt was being made to build a reasonable holding in the company.

News Corp was down 55 cents at A$15 after trading in an extremely volatile range from A$15.50 to A$14 a share.

High interest rates and caution before the release of domestic and overseas economic data restrained the market.

The All Ordinaries index fell 0.6 to 1,533.2. Turnover was a meagre 79m shares worth A$156m.

SINGAPORE closed lower across the board as hesitant investors, mainly smaller players, moved in to take profits after recent gains. Falls in Tokyo and on other overseas markets also dampened sentiment.

The Straits Times industrial index shed 10.18 to 1,288.29 after climbing by more than 91 points in the past four days. Turnover slipped to 83m shares from Wednesday's 91m.

Interest centred on warrants, property stocks and Malaysian speculative issues.

TAIPEI continued its upward trend as the weighted index added 105.06 to hit a record of 9,848.57. However, investors became hesitant during late trading in the face of the 10,000-point psychological barrier.

SOUTH AFRICA

GOLD stocks closed easier in quiet trading. Turnover was thinnest in the morning as the gold price slid but stocks picked up a bit later in line with bullion. Platinum issues followed the same pattern as the platinum price improved through the day.

Among heavyweight golds, Vaal Reefs lost R9.50 to R293.50.

EUROPE

Italian surge sustained as hefty turnover continues

FOR the third day running, Italy was the star in Europe, with a mixed picture elsewhere, *writes Our Markets Staff.*

MILAN continued its surge on the first day of the July trading account in very heavy volume worth L350bn, but slightly below Wednesday's huge L460bn. The Comit index rose 3.15 to 646.63 in its 10th consecutive rise.

"Trading was very lively, very good on the first day of the account, with people looking to build up positions," said one analyst. Settlement day is August 1. Some profit-taking surfaced in late trading, mainly hitting the textile, financial and food sectors.

Fiat continued to draw demand, ending at L10,250 in after hours trade after closing up L115 at L10,180.

FRANKFURT came off after Wednesday's gains, as the FAZ index again failed to make a significant break above 600. "It's trying to go better but three things this week have stopped it: the US trade figures and the Bundesbank meeting today, and the European elections this weekend," said one trader. "There are buyers about but they're just holding off till the results come out."

The dollar's climb to DM2.04 was also creating a background of uncertainty about interest rates, although the Bundesbank yesterday left rates unchanged. After the US trade figures, German shares tried to rally in after hours trading, but a fall in US bonds and Wall Street's losses put paid to the attempt.

The FAZ index closed 2.16 lower at 598.01 and the DAX shed 6.77 to 1,426.66 in moderate turnover of DM4.6bn.

Utilities had a mixed day after recent strength. Veba shed DM1.70 to DM309.80 and RWE lost DM2 to DM311 in profit-taking, but Viag added DM4.80 to DM339. Speculation persisted that it was interested in taking over Preussag, unchanged at DM303.

PARIS suffered yet another slow day, with shares initially moving slightly lower and then being pushed further by Wall Street's weakness.

Volume was thought to be similar to Wednesday's FFr1.9bn and the OMF 50 index lost 2.52 to 496.74 while the CAC 40 index was off 5.91 at 1,739.74. The opening CAC General shed 0.6 to 482.7.

BSN eased FFr1 to FFr655 in reasonably heavy trading of 60,000 shares. The company announced the purchase of Greek brewer Hellas. Vallourec, steel products maker, lost FFr6 to FFr424 on profit-taking after Wednesday's rise.

Accor came off FFr2 to FFr713 after a speculative run. The hotels group denied it was talking to Trusthouse Forte of the UK about a link-up. Oils were again weak.

Epeda, car seat manufacturer, jumped FFr68, or 5.8 per cent, to FFr1,390 amid speculation some of the "white knight" shareholders who stepped in when the company was under attack from Valeo might be thinking of selling.

ZURICH finished higher in lively trading after sentiment improved at midsession. Lower prices after Wednesday's weaker close and a lower opening triggered buying which centred on industrials. Advances were led by registered shares of the main chemical companies. The Crédit Suisse index rose 3.8 to 598.4.

AMSTERDAM suffered from early Wall Street losses and most stocks fell from highs. The CBS tendency index closed up 0.7 at 183.4.

Steel stock Hoogovens ended its long rally in spite of another day of heavy options-related turnover and early gains following the announcement of a 42 per cent profit rise for British Steel. It closed 20 cents down at Fl 113.70.

Heineken, most actively traded after Hoogovens, again benefited from the warm weather, up Fl 3.60 at Fl 122.

BRUSSELS was mainly unchanged in moderate trading with the focus sharply on blue chip retailer GIB. Chased by foreign investors, it firmed BFr8 to BFr1,408 on heavy turnover of 44,000 shares.

Non-ferrous metals group Hoboken, where output is being seriously disrupted by a pay and conditions strike, closed unchanged at BFr17,600.

In strong chemicals, UCB, which on Tuesday said it expected a first half net consolidated profit similar to the BFr654m in 1988, added BFr150 to BFr11,800.

MADRID saw further profit-taking and the general index lost 2.09 to 311.64, with domestic inflation figures expected today. Banks were mostly weaker, and in construction Asland continued to tumble, losing 170 percentage points to 1,500 per cent of par.

STOCKHOLM edged to a record for a third day. Current account data suggesting the economy was overheating seemed to have no impact.

Trading in Esab was suspended pending an announcement on Friday. Its free B-shares rose SKr15 to SKr445 on Wednesday. Free B-shares in Asea, the largest shareholder in Esab, climbed SKr10 to SKr585.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 14 1989						TUESDAY JUNE 13 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	129.95	−0.2	127.17	116.34	−0.4	5.06	130.21	127.34	116.83	157.12	128.28	143.71
Austria (19)	120.03	+0.6	117.46	126.32	+0.5	2.07	119.29	116.66	125.74	124.16	92.84	86.65
Belgium (63)	126.42	−0.1	123.71	132.34	−0.3	4.15	126.54	123.75	132.78	137.10	125.73	122.33
Canada (124)	140.21	−0.4	137.21	121.78	−0.5	3.26	140.81	137.70	122.40	141.80	124.67	125.61
Denmark (38)	186.47	+1.3	182.48	199.91	+1.3	1.68	184.07	180.02	197.28	186.47	165.35	131.65
Finland (26)	138.13	−1.2	135.17	131.01	−0.7	1.60	139.76	136.68	131.96	159.16	125.81	139.11
France (128)	115.70	−0.4	113.22	124.91	−0.3	3.04	116.21	113.65	125.23	122.79	112.57	97.73
West Germany (100)	83.40	+0.1	81.61	88.02	+0.3	2.31	83.32	81.48	87.76	90.40	79.56	77.89
Hong Kong (49)	99.63	+1.4	97.50	99.53	+1.3	5.42	98.30	96.13	98.29	140.33	86.41	108.50
Ireland (17)	129.28	+0.2	126.52	138.16	+0.2	3.05	128.97	126.13	137.83	151.36	125.00	139.31
Italy (97)	80.25	+0.6	78.53	88.00	+0.9	2.51	79.78	78.02	87.17	86.88	74.97	69.76
Japan (455)	167.16	+0.5	163.58	157.49	+0.5	0.50	166.28	162.62	156.77	200.11	166.28	174.35
Malaysia (36)	179.21	+1.0	175.38	187.87	+1.2	2.56	177.50	173.59	185.67	185.03	143.35	144.22
Mexico (13)	245.11	−0.1	239.87	665.02	+0.0	0.76	245.26	239.86	665.02	245.26	153.32	170.64
Netherland (42)	114.68	+0.4	112.23	119.60	+0.6	4.32	114.25	111.73	118.97	122.22	110.63	107.39
New Zealand (24)	63.32	+0.2	61.97	59.77	−0.1	6.21	63.22	61.82	59.84	78.02	62.64	83.02
Norway (26)	171.27	+0.4	167.60	170.28	+0.7	1.56	170.63	166.87	169.13	198.39	139.92	126.82
Singapore (26)	159.36	+0.6	155.95	144.52	+0.8	1.92	158.39	154.90	143.36	161.98	124.57	122.20
South Africa (60)	138.24	+1.1	135.29	129.17	+1.1	4.25	136.74	133.73	124.80	144.86	115.35	130.57
Spain (43)	144.45	−0.7	141.36	142.59	−0.6	3.54	145.50	142.29	143.46	156.17	143.14	162.06
Sweden (35)	159.11	+0.7	155.70	160.40	+0.7	2.14	158.05	154.57	159.28	162.00	136.45	123.33
Switzerland (57)	74.68	+0.4	73.08	81.11	+0.4	2.51	74.40	72.76	80.81	79.76	67.81	81.00
United Kingdom (314)	133.70	+0.3	130.84	130.84	+0.4	4.45	133.28	130.34	130.34	153.33	133.28	138.76
USA (557)	132.13	+0.0	129.31	132.13	+0.0	3.39	132.19	129.28	132.19	133.36	112.13	111.69
Europe (1005)	112.83	+0.2	110.41	115.18	+0.3	3.57	112.63	110.15	114.86	121.70	112.63	109.90
Nordic (125)	154.16	+0.7	150.87	152.68	+0.8	1.87	153.13	149.76	151.50	155.61	137.95	116.43
Pacific Basin (676)	163.19	+0.5	159.70	153.74	+0.4	0.74	162.35	158.78	153.05	194.72	162.35	170.53
Euro–Pacific (1681)	143.12	+0.4	140.06	138.29	+0.4	1.65	142.54	139.40	137.75	164.22	142.54	146.29
North America (681)	132.53	−0.1	129.69	131.50	−0.1	3.38	132.61	129.69	131.59	133.73	112.79	112.43
Europe Ex. UK (691)	99.52	+0.1	97.39	105.49	+0.2	2.90	99.46	97.27	105.27	105.29	96.30	91.99
Pacific Ex. Japan (221)	115.69	+0.4	113.22	106.89	+0.2	4.88	115.25	112.71	106.63	137.65	111.93	124.51
World Ex. US (1878)	143.03	+0.4	139.97	137.82	+0.4	1.73	142.48	139.35	137.32	162.77	142.49	145.44
World Ex. UK (2121)	138.65	+0.2	135.69	136.39	+0.2	2.10	138.34	135.29	136.10	146.04	138.06	131.77
World Ex. So. Af. (2375)	138.20	+0.2	135.24	135.93	+0.2	2.29	137.88	134.84	135.63	146.65	137.88	132.39
World Ex. Japan (1980)	124.64	+0.0	121.97	124.65	+0.1	3.51	124.59	121.84	124.76	126.50	114.51	112.25
The World Index (2435)	138.20	+0.2	135.24	135.86	+0.2	2.30	137.87	134.83	135.55	146.51	137.87	132.38

Latest prices were unavailable for this edition.